TDHCA #
02112
Region 5
General
Set-Aside
LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED APPLICATIONS
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: Cardinal Village
TDHCA #: 02112

DEVELOPMENT LOCATION AND DESIGNATIONS
Region: 5
Site Address: Cardinal Street, Lot 10b, Block 54
City: Nacogdoches
County: Nacogdoches
Zip Code: 75961

Allocation over 10 Years: $7,620,000
Development Type: Family

Gross/Net Rentable: 1.03
Average Square Feet/Unit: 1,116
Cost Per Net Rentable Square Foot: $73.20
Net Operating Income: $178,923

DEVELOPMENT TEAM
Developer: Finlay Development, LLC
Housing GC: Finlay Construction, LLC
Infrastructure GC: NA
Cost Estimator: Finlay Construction, LLC
Architect: Parker & Associates
Property Manager: Finlay Real Estate Services, Inc.
Engineer: NA
Syndicator: Simpson Housing Solutions, LLC

Market Analyst: Apartment Market Data Research
Originator/UW: NA
Appraiser: NA
Attorney: Broad & Cassel
Supp Services: Texas Inter-Faith Housing Corp.
Accountant: Novogradac & Company, LLP
Permanent Lender: Red Capital Group

Owner Entity Name: Finlay Interests 40, Ltd.
Principal Names: Jeffrey S. Spicer 100 %
Christopher Finlay 0 %
Jeffrey Spicer 0 %

Eligible Basis Amount: $762,000
Equity/Gap Amount: $806,391

TAX CREDIT ALLOCATION INFORMATION
Annual Credit Allocation Recommendation: $762,000
Credits Requested: $799,990
Allocation over 10 Years: $7,620,000

UNIT INFORMATION

<table>
<thead>
<tr>
<th>Eff</th>
<th>1 BR</th>
<th>2 BR</th>
<th>3 BR</th>
<th>4 BR</th>
<th>5 BR</th>
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<tbody>
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<td>30%</td>
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<td>0</td>
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<td>0</td>
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</tr>
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<td>21</td>
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<td>Total</td>
<td>0</td>
<td>0</td>
<td>47</td>
<td>48</td>
<td>0</td>
<td>95</td>
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</table>

Total LI Units: 95
Owner/Employee Units: 0
Total Project Units: 96
Applicable Fraction: 100.00

BUILDING INFORMATION
Total Development Cost: $7,842,088
Gross Building Square Feet: 110,684
Total NRA SF: 107,136
Gross/Net Rentable: 1.03
Average Square Feet/Unit: 1,116
Cost Per Net Rentable Square Foot: $73.20
Credits per Low Income Unit: $8,021

INCOME AND EXPENSE INFORMATION
Effective Gross Income: $513,297
Total Expenses: $334,374
Net Operating Income: $178,923
Estimated 1st Year Debt Coverage Ratio: 1.13

DEPARTMENT EVALUATION
Points Awarded: 125
Site Review: Acceptable
Underwriting Finding: AC

Note: "NA" = Not Yet Available

Set Asides: AR=At Risk, NP=Nonprofit, G=General, R=Rural
Purposes: N=New Construction, A=Acquisition, R=Rehabilitation
Special Needs: 5 Units for Handicapped/Developmentally Disabled

6/17/02 10:42 AM
2002 Development Profile and Board Summary (Continued)

Project Name: Cardinal Village  Project Number: 02112

PUBLIC COMMENT SUMMARY  Note: “O” = Opposed, “S” = Support, “NC” or Blank = No comment

# of Letters, Petitions, or Witness Affirmation Forms (not from Officials):  Support: 4  Opposition: 0

☐ A resolution was passed by the local government in support of the development.

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of documentation of the removal and proper disposal of the debris as indicated in the Phase I ESA. Should the actual cost of the development be established through a fixed price contract or at cost certification to be lower than the underwriter’s estimate or the rates, terms and amounts of the permanent financing or syndication change a re-evaluation of the recommendations and the conditions in this report should be conducted.

Alternate Recommendation:

RECOMMENDATION BY PROGRAM MANAGER AND DIRECTOR OF HOUSING PROGRAMS IS BASED ON:

- ☑ Score  ☐ Meeting Required Set Aside  ☑ Meeting the Regional Allocation
- ☐ To serve a greater number of lower income families for fewer credits
- ☐ To serve a greater number of lower income families for a longer period of time
- ☐ To ensure the Development’s consistency with local needs or its impact as part of a revitalization or preservation plan
- ☐ To ensure the allocation of credits among as many different entities as practicable without diminishing the quality of the housing that is built

Comment: If only the higher scoring General development and the Rural development in Region 5 had been awarded, there would have been a shortfall in the region equal to 27% of its entire regional allocation. This is the highest shortfall among all regions statewide, so this development, as the next highest scoring development in the region not in violation of the $1.6 million cap per Applicant, is recommended.

Brooke Boston, Acting LIHTC Co-Manager  Date  David Burrell, Director of Housing Programs  Date

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

The recommendation by the Executive Award and Review Advisory Committee for the 2002 LIHTC applications is also based on the above reasons. If a decision was based on any additional reason, that reason is identified below:

Edwina Carrington, Executive Director  Date
Chairman of Executive Award and Review Advisory Committee

☐ BOARD OF DIRECTOR’S APPROVAL AND DESCRIPTION OF DISCRETIONARY FACTORS (if applicable):

Approved Credit Amount:  Date of Determination:  

Michael E. Jones, Chairman of the Board  Date
**Developer Evaluation**

**Compliance Status Summary**

<table>
<thead>
<tr>
<th>Project ID #:</th>
<th>02112</th>
<th>LIHTC 9%</th>
<th>LIHTC 4%</th>
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<tbody>
<tr>
<td>Project Name:</td>
<td>Cardinal Village Apartments</td>
<td>HOME</td>
<td>HTF</td>
</tr>
<tr>
<td>Project City:</td>
<td>Nacogdoches</td>
<td>BOND</td>
<td>SECO</td>
</tr>
</tbody>
</table>

### Housing Compliance Review

- Project(s) in material non-compliance: □
- No previous participation: □

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

<table>
<thead>
<tr>
<th># reviewed</th>
<th>0</th>
<th># not yet monitored or pending review</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td># of projects grouped by score</td>
<td>0-9: 0</td>
<td>10-19: 0</td>
<td>20-29: 0</td>
</tr>
</tbody>
</table>

- Members of the development team have been disbarred by HUD: □
- National Previous Participation Certification Received: Yes
- Non-Compliance Reported: No

**Completed by** Jo En Taylor  
**Completed on** 04/16/2002

### Single Audit

Status of Findings (any outstanding single audit issues are listed below)

- Single audit not applicable: ✓

**Completed by** Lucy Trevino  
**Completed on** 04/29/2002

### Program Monitoring

Status of Findings (any unresolved issues are listed below)

- Monitoring review not applicable: ✓

**Completed by** Ralph Hendrickson  
**Completed on** 04/29/2002
### Community Affairs

<table>
<thead>
<tr>
<th>Status of Findings (any unresolved issues are listed below)</th>
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<tbody>
<tr>
<td>monitoring review not applicable ✓</td>
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<tr>
<td>reviewed; no unresolved issues</td>
</tr>
</tbody>
</table>

Comments:

Completed by ___________________________  Completed on ____________

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### Housing Finance

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Comments:

Completed by ___________________________  Completed on ____________

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### Housing Programs

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<tr>
<td>reviewed; no unresolved issues ✓</td>
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Comments:

Completed by E. Weilbaecher  Completed on 06/06/2002

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### Multifamily Finance

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<td>monitoring review not applicable □</td>
</tr>
<tr>
<td>reviewed; no unresolved issues</td>
</tr>
</tbody>
</table>

Comments:

Completed by ___________________________  Completed on ____________

---

Executive Director: Edwina Carrington  Date Signed: June 17, 2002
**DEVELOPMENT NAME**

Cardinal Village

**APPLICANT**

<table>
<thead>
<tr>
<th>Name</th>
<th>Type</th>
<th>Address</th>
<th>City</th>
<th>State</th>
<th>Zip</th>
<th>Contact</th>
<th>Phone</th>
<th>Fax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finlay Interests 40, Ltd.</td>
<td>For Profit</td>
<td>4300 Marsh Landing Blvd., Ste. 101</td>
<td>Jacksonville Beach</td>
<td>FL</td>
<td>32250</td>
<td>Jeffrey S. Spicer</td>
<td>(904) 280-1000</td>
<td>(904) 280-9993</td>
</tr>
</tbody>
</table>

**PRINCIPALS of the APPLICANT**

<table>
<thead>
<tr>
<th>Name</th>
<th>(%)</th>
<th>Title</th>
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<tr>
<td>Finlay Interests GP 40, LLC</td>
<td>.01</td>
<td>Managing General Partner</td>
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<td>Simpson Housing Solutions</td>
<td>99.99</td>
<td>Initial Limited Partner</td>
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<tr>
<td>Finlay GP Holdings, Ltd.</td>
<td>n/a</td>
<td>Owner of Finlay Interests GP</td>
</tr>
<tr>
<td>Finlay Holdings, Inc.</td>
<td>n/a</td>
<td>Owner of Finlay GP Holdings</td>
</tr>
<tr>
<td>Christopher C. Finlay</td>
<td>n/a</td>
<td>Owner of Finlay Holdings, Inc</td>
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**GENERAL PARTNER**

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<th>Type</th>
<th>Address</th>
<th>City</th>
<th>State</th>
<th>Zip</th>
<th>Contact</th>
<th>Phone</th>
<th>Fax</th>
</tr>
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<tbody>
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<td>Jacksonville Beach</td>
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<td>32250</td>
<td>Jeffrey S. Spicer</td>
<td>(904) 280-1000</td>
<td>(904) 280-9993</td>
</tr>
</tbody>
</table>

**PROPERTY LOCATION**

<table>
<thead>
<tr>
<th>Location</th>
<th>QCT</th>
<th>DDA</th>
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<tbody>
<tr>
<td>Cardinal Street, Lot 10b, Block 54</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>City</td>
<td>Nacogdoches</td>
<td>County</td>
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**REQUEST**

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<th>Amount</th>
<th>Interest Rate</th>
<th>Amortization</th>
<th>Term</th>
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<tr>
<td>$799,990</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
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</table>

**Other Requested Terms:** Annual ten-year allocation of low-income housing tax credits

**Proposed Use of Funds:** New Construction

**Set-Aside:** General

**SITE DESCRIPTION**

<table>
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<tr>
<th>Size</th>
<th>Acres</th>
<th>326,700 square feet</th>
<th>Zoning/ Permitted Uses</th>
<th>B-2</th>
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<tr>
<td>Flood Zone Designation</td>
<td>Zone C</td>
<td>Status of Off-Sites</td>
<td>Fully Improved</td>
<td></td>
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</tbody>
</table>
TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

<table>
<thead>
<tr>
<th>Total Units: 96</th>
<th># Rental Buildings 6</th>
<th># Common Area Bldgs 2</th>
<th># of Floors 2</th>
<th>Age: n/a yrs</th>
<th>Vacant: at / /</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Number</th>
<th>Bedrooms</th>
<th>Bathroom</th>
<th>Size in SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>48</td>
<td>2</td>
<td>2</td>
<td>1,017</td>
</tr>
<tr>
<td>48</td>
<td>3</td>
<td>2</td>
<td>1,215</td>
</tr>
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</table>

Net Rentable SF: 107,136
Av Un SF: 1,116
Common Area SF: 3,548
Gross Bldng SF: 110,684

Property Type: ☑ Multifamily ☐ SFR Rental ☐ Elderly ☐ Mixed Income ☐ Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS
Wood frame on a slab on grade, 25% brick veneer/75% vinyl siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES
Carpeting & tile flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, laminated counter tops, cable

ON-SITE AMENITIES
Community building with club room, management offices, fitness room, kitchen, restrooms, computer center, central mailroom, swimming pool, equipped children's play area, volleyball court, perimeter fencing with limited access gate

Uncovered Parking: 144 spaces
Carports: n/a spaces
Garages: n/a spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: Red Capital Group
Contact: R. Barth Kallmerten
Principal Amount: $2,674,374
Interest Rate: 7.5%
Additional Information:
Amortization: 2 yrs
Term: 2 yrs
Commitment: ☑ Conditional

LONG TERM/PERMANENT FINANCING

Source: Red Capital Group
Contact: R. Barth Kallmerten
Principal Amount: $2,047,000
Interest Rate: 8.25%
Additional Information:
Amortization: 30 yrs
Term: 18 yrs
Commitment: ☑ Conditional
Annual Payment: $184,541
Lien Priority: 1st
Commitment Date: 02/ 21/ 2002
LIHTC SYNDICATION

Source: Simpson Housing Solutions  
Contact: Mike Sugrue  
Address: 720 E. Park Blvd., Suite 100  
City: Plano  
State: TX  
Zip: 75074  
Phone: (972) 422-4343  
Fax: (972) 422-0224  
Net Proceeds: $5,999,325  
Net Syndication Rate (per $1.00 of 10-yr LIHTC): 75¢  
Commitment: Conditional  
Date: 02/22/2002  
Additional Information:  

APPLICANT EQUITY

Amount: $266,828  
Source: Deferred developer fee  

VALUATION INFORMATION

Land: $82,500  
Assessment for the Year of: 2001  
Building: n/a  
Valuation by: Nacogdoches County Appraisal District  
Total Assessed Value: $82,500  
Tax Rate: 2.682  

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Unimproved Property Contract  
Contract Expiration Date: 08/15/2002  
Anticipated Closing Date: 08/15/2002  
Acquisition Cost: $411,400  
Other Terms/Conditions: $1,000 earnest money deposit  
Seller: Mike Perry  
Related to Development Team Member: No  

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.  

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Cardinal Village is a proposed new construction development of 96 units of affordable housing located in east Nacogdoches. The development is comprised of six residential buildings as follows:

- (6) Building Type I with eight 2-bedroom units and eight 3-bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, mailboxes, and swimming pool located near the entrance to the site. The 3,548-square foot community building plan includes the management office, a club room, fitness room, computer room, kitchen, restrooms, and laundry facilities.

Supportive Services: The Applicant has contracted with Texas Inter-Faith Management Corporation to provide the following supportive services to tenants: personal growth opportunities program, family skills development program, education program, fun and freedom activities program, neighborhood advancement program, and information and referral services for other local service providers. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services, to pay a one-time startup fee of $1,000 plus $8.56/unit per month for these support services. The Applicant has reflected this expense amount in their operating budget.

Schedule: The Applicant anticipates construction to begin in October of 2002, to be completed in September of 2003, to be placed in service in February of 2004, and to be substantially leased-up in January of 2004.
**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 95 of the units will be reserved for low-income tenants and one unit will be employee-occupied. One of the units (1%) will be reserved for households earning 40% or less of AMGI, 39 units (41%) will be reserved for households earning 50% or less of AMGI and 55 (57%) units will be reserved for households earning 60% or less of AMGI.

**Special Needs Set-Asides:** Five units (5%) will be handicapped-accessible.

**Compliance Period Extension:** The Applicant has elected to extend the compliance period an additional 25 years.

**MARKET HIGHLIGHTS**

A market feasibility study dated February 19, 2002 was prepared by Apartment Market Data Research Services and highlighted the following findings:

**Definition of Market/Submarket:** “For this analysis, we defined the “Trade Area” as Nacogdoches County, Texas. This area was utilized as it was felt that the county defined the housing needs and the demographic data applicable to the existing supply and demand factors for affordable housing.” (p. 30)

**ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY**

<table>
<thead>
<tr>
<th>Type of Demand</th>
<th>Units of Demand</th>
<th>% of Total Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Growth</td>
<td>24-41</td>
<td>3.5%</td>
</tr>
<tr>
<td>Turnover Demand</td>
<td>609</td>
<td>52.5%</td>
</tr>
<tr>
<td>Pent-up Demand</td>
<td>520</td>
<td>44.4%</td>
</tr>
<tr>
<td><strong>TOTAL ANNUAL DEMAND</strong></td>
<td><strong>1,170</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Ref: p. 41

**Capture Rate:** The analyst calculated a capture rate of 14.7% based upon the subject’s low income units plus other previous low income units in the market area and divided by the total units of income qualified demand as calculated by the analyst. (p. 41-42).

**Market Rent Comparables:** The market analyst surveyed six comparable apartment projects totaling 740 units in the market area. (p. 83)

**RENT ANALYSIS (net tenant-paid rents)**

<table>
<thead>
<tr>
<th>Unit Type (% AMI)</th>
<th>Proposed*</th>
<th>Program Max</th>
<th>Differential</th>
<th>Market</th>
<th>Differential</th>
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</thead>
<tbody>
<tr>
<td>2-Bedroom (40%)</td>
<td>$303</td>
<td>$275</td>
<td>+$28</td>
<td>$591</td>
<td>-$288</td>
</tr>
<tr>
<td>2-Bedroom (50%)</td>
<td>$400</td>
<td>$372</td>
<td>+$28</td>
<td>$591</td>
<td>-$191</td>
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<tr>
<td>2-Bedroom (60%)</td>
<td>$498</td>
<td>$470</td>
<td>+$28</td>
<td>$591</td>
<td>-$93</td>
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<tr>
<td>3-Bedroom (50%)</td>
<td>$457</td>
<td>$451</td>
<td>+$6</td>
<td>$711</td>
<td>-$254</td>
</tr>
<tr>
<td>3-Bedroom (60%)</td>
<td>$569</td>
<td>$563</td>
<td>+$6</td>
<td>$711</td>
<td>-$142</td>
</tr>
</tbody>
</table>

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent = $500, program max = $600, differential = -$100)

*The Applicant estimated lower utility allowances than the Underwriter, which makes up the difference between the proposed rent and the program maximum rent allowed.

**Submarket Vacancy Rates:** “The current occupancy of the market area for projects built since 1970 is 96.8%, as a result of ever increasing demand.” (p. 8)

**Absorption Projections:** “Absorption in the Trade Area has been limited by minimal supply over the last decade, averaging 82+ units per year. Today, the PMA occupancy rate is in excess of 95%. Based on the occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject’s units.” (p. 8)

**Known Planned Development:** “Since the 1990 census, there have been minimal new projects developed in the Trade Area with 297 units built, and another 226 currently under construction and/or in lease-up. Today, the overall occupancy rate is in excess of 95% (excluding older projects and projects in lease-up status). This
The Underwriter found the market study to be acceptable.

### SITE and NEIGHBORHOOD CHARACTERISTICS

**Location:** Nacogdoches is located in east Texas, approximately 130 miles north of Houston in Nacogdoches County. The site is an irregularly-shaped parcel located in the east area of Nacogdoches, approximately one mile from Business 59, which provides easy access to downtown Nacogdoches. The site contains 150 feet of frontage to the west that adjoins Cardinal Street.

**Population:** The estimated 2001 population of the trade area was 59,405 and is expected to increase by 4.8% to approximately 62,283 by 2006. Within the primary trade area there were estimated to be 22,045 households in 2001.

**Adjacent Land Uses:** Land uses in the overall area in which the site is located are mixed with vacant land and multifamily complexes. Adjacent land uses include:
- **North:** FM 1878, apartment complex
- **South:** vacant wooded area
- **East:** vacant wooded area
- **West:** Cardinal Street

**Site Access:** Access to the property is from the west along Cardinal Street. The development is to have one main entry, from the west from Cardinal Street. Access to University Drive is 0.2 miles west, which provides connections to all other major roads serving the Nacogdoches area.

**Public Transportation:** The availability of public transportation is unknown.

**Shopping & Services:** The site is within 0.2 miles of 2 major grocery stores and within 0.3 miles of a shopping mall. A variety of other retail establishments and restaurants, schools, churches, hospitals and health care facilities are located within a short driving distance from the site.

**Site Inspection Findings:** The site has not been inspected by a TDHCA staff member, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

### HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 21, 2002 was prepared by APEX Geoscience, Inc. and contained the following findings and recommendations:

**Findings:** “A small pile of metal debris is present on the property. The debris includes two (2) rusty 55 gallon drums that visually appear to be empty. No stained soils or unusual odors were observed to be associated with the aforementioned area of debris. This debris should be removed from the property and properly disposed or recycled. Otherwise, no adverse environmental conditions as defined by ASTM Practice E 15727-97 were noted during the course of this study.”

Receipt, review and acceptance of documentation of the removal and proper disposal of the debris indicated in the Phase I ESA is a condition of this report.

### OPERATING PROFORMA ANALYSIS

**Income:** The Applicant’s rent projections are the maximum rents allowed under LIHTC guidelines for all of the units except one, which will be employee-occupied. The Applicant also used an old utility allowance estimate which understated utilities considerably. It should be noted however that the newer allowances are somewhat dubious in that the allowance for the three-bedroom is less than the allowance for the two-bedroom, though both are on average $17 higher than the allowances used by the Applicant. This results in an overstatement of gross rent by $19K or 4%. Estimates of secondary income are estimated at $15/unit, which is the TDHCA maximum and consistent with the Underwriter’s estimate. Vacancy and collection loss estimates are in line with TDHCA underwriting guidelines. The Applicant stated that tenants will pay water and sewer in this project in addition to typical utilities, and rents and expenses were calculated accordingly.

**Expenses:** The Underwriter used the TDHCA database, recent utility allowances, IREM Region 6 database expenses, and other local expense information to develop an estimate of expenses. Management fees were set a flat 5% of effective gross income. The Applicant’s budget shows several line item estimates that deviate significantly when compared to the Underwriter’s estimates, particularly general and administrative ($11K
lower), payroll ($11K lower), repairs and maintenance ($9K higher), utilities ($21K lower), insurance ($7K higher) and property tax ($13K higher).

**Conclusion:** The Applicant’s estimate of total operating expenses is within 5% of the Underwriter’s estimate. However, the Applicant’s NOI is $16K or 19% higher than the Underwriter’s. Therefore, the Underwriter’s NOI should be used to evaluate debt service capacity. Due primarily to the differences in income and operating expenses, the Underwriter’s estimated debt coverage ratio (DCR) of 0.97 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project to reach a minimum 1.10 DCR, should be limited to $158,049. This can be by a reduction in the permanent loan amount and a reduction in the interest rate.

### CONSTRUCTION COST ESTIMATE EVALUATION

**Land Value:** The Applicant submitted an Unimproved Property Contract wherein the purchaser, Finlay Properties, Inc. is buying the land from Mike Perry, the seller. The original contract indicated a sales price of $374,000. However, an addendum to the property contract indicates that the buyer and seller agree to increase the purchase price for the property from $374,000 to $411,400, an increase of $37,400 in order to pay an additional broker fee to Finlay Real Estate services. While the acquisition appears to be an arm’s length transaction the additional brokerage fee does not and was removed from the Underwriter’s estimated acquisition costs.

**Sitework Cost:** The Applicant’s claimed sitework costs of $4,667 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant’s costs are more than 5% different than the Underwriter’s Marshall & Swift Residential Cost Handbook-derived estimate after all of the Applicant’s additional justifications were considered. This would suggest that the Applicant’s direct construction costs are overstated.

**Fees:** The Applicant’s contractor’s fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. Contingency fees were overstated by $44K. The Applicant’s developer fees are within 15% of the Applicant’s eligible basis.

**Conclusion:** The Underwriter regards the Applicant’s total costs to be overstated by $434K or 5.5%. This percentage exceeds the acceptable 5% margin of tolerance, and therefore the Underwriter’s cost estimate is used to size the total sources of funds needed for the development. As a result, a credit allocation of $762,000 annually is derived from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant’s costs to determine the recommended credit amount. This is $37,990 less than initially requested though the Applicant used a lower applicable percentage of 8.34% rather than 8.44%.

### FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with four types of financing from three sources: a conventional permanent loan, a construction loan, syndicated LIHTC equity and deferred developer’s fees.

**Conventional Permanent Loan:** There is a commitment letter from Red Capital Group for a permanent loan in the amount of $2,047,000. The loan term is 18 years with an amortization of 30 years. The interest rate is fixed at 8.25%. This rate is higher than the maximum rate of 8% being used during this application cycle for Underwriting.

**Construction Financing:** The Applicant intends to use Red Capital Group for an interim construction loan of $2,674,374. The term for this loan is 24 months and the interest rate is 7.50%.

**LIHTC Syndication:** Simpson Housing Solutions has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $5,999,325 based on a syndication factor of 75%. The funds would be disbursed in a four-phased pay-in schedule:

1. Initial Contribution: 20% of its aggregate capital contribution (“Initial Contribution”) shall be made available to draw upon as requested by General Partner and approved by SHS upon satisfaction of the applicable funding conditions, which shall include, execution of the Partnership Agreement, closing of the Construction Loan and receipt of a commitment for a “Permanent Loan” (as herein defined) acceptable to Limited Partner;

2. Second Contribution: 35% of its aggregate capital contribution (“Second Contribution”) shall be made...
available to draw upon during the construction phase of the Development as requested by General Partner and approved by SHS upon satisfaction of the applicable funding conditions, which amount shall be funded on a pari passu basis with the construction loan and or bridge loan; provided, however, the initial disbursement of any portion of the Second Contribution shall be contingent upon the construction lender having funded an initial amount under the construction loan of not less than the amount of the Initial Contribution made by the Limited Partner;

3. Third Contribution: (25%) of its aggregate capital contribution (“Third Contribution”) shall be made available to draw upon as requested by the General Partner and approved by SHS upon satisfaction of the applicable funding conditions, which shall include, final completion of construction and receipt of final certificates of occupancy for all residential units;

4. Final Contribution: the balance of its capital contribution (“Final Contribution”) shall be made available to draw upon as requested by General Partner and approved by SHS upon satisfaction of the applicable funding conditions, which shall include, among other things, closing of the Permanent Loan, the occurrence of “Rental Achievement” and receipt of IRS Form 8609 with respect to the Development.

Deferred Developer’s Fees: The Applicant’s proposed deferred developer’s fees of $266,828 amount to 29% of the total fees. However, based on the Underwriter’s total development cost estimate and the revised syndication proceeds, the developer would have to defer $332,696 in fees, which is $66,141 more than originally anticipated and does not include the additional brokerage fee added to the acquisition.

Financing Conclusions: Based on the Underwriter’s estimate of eligible basis, the LIHTC allocation should not exceed $762,000 annually for ten years, resulting in syndication proceeds of approximately $5,714,432. Based on the Underwriter’s proforma, the debt coverage ratio (DCR) would be 0.97 which is lower than the minimum standard. In order to raise the DCR to a minimum of 1.10, the debt service for this project should be limited to $158,049 by a reduction in the permanent loan amount and a reduction in the interest rate from 8.25% to 8%. Based on the underwriting analysis, the Applicant’s deferred developer fee will be increased to $332,696.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are simple, with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered patios or balconies. Each unit has a semi-private exterior entry that is off an interior breezeway that is shared with three other units. The units are in two-story, fourplex structures with mixed brick veneer/vinyl siding exterior finish and gabled roofs.

IDENTITIES of INTEREST

Christopher C. Finlay is the owner of the Applicant, Finlay Interests 18, Ltd., and is also a managing member of the Developer and General Contractor. It is also believed that there is an identity of interest between the additional buyer’s broker handling the purchase of the property for the Applicant and receiving a fee of $37,400 from the Seller’s proceeds. Therefore, this amount was reduced from the acquisition cost.

APPLICANT’S/PRINCIPALS’ FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE

Financial Highlights:
- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The principal of the Applicant, Christopher C. Finlay, submitted an unaudited financial statement as of February 14, 2002.

Background & Experience:
- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The Developer, Finlay Development, LLC, has completed 15 LIHTC and affordable housing developments totaling 1,367 units since 1993.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant’s operating proforma is more than 5% outside the Underwriter’s verifiable range.
- The Applicant’s development costs differ from the Underwriter’s verifiable estimate by more than 5%.
The significant financing structure changes being proposed have not been reviewed and/or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $762,000 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
2. Receipt, review, and approval of documentation of the removal and proper disposal of the debris as indicated in the Phase I ESA.
3. Should the actual cost of the development be established through a fixed price contract or at cost certification to be lower than the underwriter’s estimate or the rates, terms, and amounts of the permanent financing or syndication change a re-evaluation of the recommendations and conditions in this report should be conducted.

Associate Underwriter: ___________________________ Date: June 11, 2002
Raquel Morales

Director of Credit Underwriting: ___________________________ Date: June 11, 2002
Tom Gouris
### MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

**Cardinal Village, Nacogdoches, LIHTC #02112**

<table>
<thead>
<tr>
<th>Type of Unit</th>
<th>Number</th>
<th>Bedrooms</th>
<th>No. of Baths</th>
<th>Size in SF</th>
<th>Gross Rent Lmt.</th>
<th>Rent per Month</th>
<th>Rent per SF</th>
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</thead>
<tbody>
<tr>
<td>TC 40%</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1,017</td>
<td>$275</td>
<td>$275</td>
<td>$0.27</td>
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<tr>
<td></td>
<td>18</td>
<td>2</td>
<td>2</td>
<td>6,471</td>
<td>$2,732</td>
<td>$2,732</td>
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<tr>
<td>TC 50%</td>
<td>28</td>
<td>2</td>
<td>2</td>
<td>1,017</td>
<td>$470</td>
<td>13,160</td>
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<td></td>
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<td>2</td>
<td>2</td>
<td>585</td>
<td>0</td>
<td>$0.00</td>
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<tr>
<td>TC 60%</td>
<td>21</td>
<td>2</td>
<td>2</td>
<td>1,215</td>
<td>$553</td>
<td>15,201</td>
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<tr>
<td></td>
<td>27</td>
<td>2</td>
<td>2</td>
<td>756</td>
<td>0</td>
<td>$0.00</td>
<td>0.00</td>
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<td><strong>TOTAL:</strong></td>
<td>66</td>
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<td></td>
<td>1,116</td>
<td>$579</td>
<td>13,160</td>
<td>$0.42</td>
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</table>

**INCOME**

- **Total Net Rentable Sq Ft:** 107,136
- **TOTAL:** $537,636, $556,884
- **EO 1:** $390
- **TC 40% 1:** $275
- **TC 50% 18:** $372
- **TC 60% 28:** $470
- **EO 1:** $553

**POTENTIAL GROSS INCOME**

- Vacancy & Collection Loss % of Potential Gross Income: -7.50%

**Secondary Income Per Unit Per Month:** $15.00

**TOTAL GROSS INCOME**

- **EO 1:** $537,636
- **TC 40% 1:** $556,884

**POTENTIAL GROSS RENT**

- **EO 1:** $0
- **TC 40% 1:** $487
- **TC 50% 18:** $669
- **TC 60% 28:** $873

**INCOME**

- **EO 1:** $0
- **TC 40% 1:** $669
- **TC 50% 18:** $873
- **TC 60% 28:** $1,065

**TOTAL GROSS RENT**

- **EO 1:** $0
- **TC 40% 1:** $669
- **TC 50% 18:** $873
- **TC 60% 28:** $1,065

**AVERAGE:**

- **EO 1:** $94,916
- **TC 40% 1:** $113,096
- **TC 50% 18:** $122,201
- **TC 60% 28:** $132,001

**EFFECTIVE GROSS INCOME**

- **EO 1:** $44,803
- **TC 40% 1:** $669
- **TC 50% 18:** $1,316
- **TC 60% 28:** $2,065

**EXPENSES**

- **General & Administrative:** 5.68%
- **Management:** 5.00%
- **Utilities:** 4.66%
- **Water, Sewer, & Trash:** 4.35%
- **Property Insurance:** 3.34%
- **Property Tax:** 2.68%
- **Reserve for Replacements:** 3.74%
- **Other Expenses:** 2.30%

**TURCA**

- **General & Administrative:** $304
- **Management:** $267
- **Utilities:** $425
- **Water, Sewer, & Trash:** $333
- **Property Insurance:** $179
- **Property Tax:** $671
- **Reserve for Replacements:** $200
- **Other Expenses:** $123

**APPLICANT**

- **General & Administrative:** $1,720
- **Management:** $2,665
- **Utilities:** $40,791
- **Water, Sewer, & Trash:** $23,941
- **Property Insurance:** $3,368
- **Property Tax:** $44,780
- **Reserve for Replacements:** $23,012
- **Other Expenses:** $1,021

**TOTAL EXPENSES**

- **EO 1:** $3,483
- **TC 40% 1:** $3,340
- **TC 50% 18:** $6,689
- **TC 60% 28:** $9,065

**EFFECTIVE GROSS INCOME**

- **EO 1:** $1,864
- **TC 40% 1:** $4,407
- **TC 50% 18:** $9,895
- **TC 60% 28:** $14,138

**NET OPERATING INC**

- **EO 1:** $1,864
- **TC 40% 1:** $5,073
- **TC 50% 18:** $10,294
- **TC 60% 28:** $15,615

**DEBT SERVICE**

- **Red Capital Group:** 35.95%
- **EO 1:** 0.00%
- **TC 40% 1:** 0.00%
- **TC 50% 18:** 0.00%
- **TC 60% 28:** 0.00%

**NET CASH FLOW**

- **EO 1:** $59
- **TC 40% 1:** $66
- **TC 50% 18:** $76
- **TC 60% 28:** $86

**AGGREGATE DEBT COVERAGE RATIO**

- **EO 1:** 0.97
- **TC 40% 1:** 1.15
- **TC 50% 18:** 1.13
- **TC 60% 28:** 1.13

**CONSTRUCTION COST**

- **EO 1:** $3,896
- **TC 40% 1:** $3,896
- **TC 50% 18:** $3,896
- **TC 60% 28:** $3,896

**TOTAL COST**

- **EO 1:** $81,688
- **TC 40% 1:** $81,688
- **TC 50% 18:** $81,688
- **TC 60% 28:** $81,688

**TOTAL NET CASH FLOW**

- **EO 1:** ($5,618)
- **TC 40% 1:** ($15,000)
- **TC 50% 18:** ($21,000)
- **TC 60% 28:** ($26,000)

**AGGREGATE DEBT COVERAGE RATIO**

- **EO 1:** 0.97
- **TC 40% 1:** 1.15
- **TC 50% 18:** 1.13
- **TC 60% 28:** 1.13

**ALTERNATIVE DEBT COVERAGE RATIO**

- **EO 1:** 0.97
- **TC 40% 1:** 1.15
- **TC 50% 18:** 1.13
- **TC 60% 28:** 1.13

**INCOME SOURCES**

- **EO 1:** $334,374
- **TC 40% 1:** $318,233
- **TC 50% 18:** $321,211
- **TC 60% 28:** $393,300

**LAT FUND SOURCES**

- **EO 1:** $184,541
- **TC 40% 1:** $184,541
- **TC 50% 18:** $184,541
- **TC 60% 28:** $184,541

**DEBT SERVICE**

- **EO 1:** $17,880
- **TC 40% 1:** $17,880
- **TC 50% 18:** $17,880
- **TC 60% 28:** $17,880

**SOURCES OF FUNDS**

- **EO 1:** $5,714,432
- **TC 40% 1:** $5,714,432
- **TC 50% 18:** $5,714,432
- **TC 60% 28:** $5,714,432

**HARD CASH FLOW**

- **EO 1:** $59
- **TC 40% 1:** $66
- **TC 50% 18:** $76
- **TC 60% 28:** $86

**AGGREGATE DEBT COVERAGE RATIO**

- **EO 1:** 0.97
- **TC 40% 1:** 1.15
- **TC 50% 18:** 1.13
- **TC 60% 28:** 1.13

**TOTAL SOURCES**

- **EO 1:** $7,842,088
- **TC 40% 1:** $7,842,088
- **TC 50% 18:** $7,842,088
- **TC 60% 28:** $7,842,088
**MULTIFAMILY FINANCIAL ASSISTANCE REQUEST** (continued)

Cardinal Village, Nacogdoches, LIHTC #02112

### DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

#### Average Quality Multiple Residence Basis

<table>
<thead>
<tr>
<th>Category</th>
<th>Factor</th>
<th>Units/Sq Ft</th>
<th>Per %</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Cost</td>
<td></td>
<td>1.00</td>
<td>0.00</td>
<td>$4,235,395</td>
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<tr>
<td>Adjustments</td>
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<tr>
<td>Exterior Wall Finish</td>
<td>2.75%</td>
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<td>0.00</td>
<td>$116,473</td>
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<tr>
<td>Roofing</td>
<td>0.00</td>
<td></td>
<td>0.00</td>
<td>$0</td>
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<tr>
<td>Subfloor</td>
<td>(0.98)</td>
<td>(104,993)</td>
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<tr>
<td>Floor Cover</td>
<td>1.82</td>
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<td>0.00</td>
<td>$194,988</td>
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<tr>
<td>Porches/Balconies</td>
<td>2.12</td>
<td>226,879</td>
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<tr>
<td>Plumbing</td>
<td>1.57</td>
<td>168,480</td>
<td></td>
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<tr>
<td>Built-In Appliances</td>
<td>24.00</td>
<td>32,400</td>
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<tr>
<td>Floor Insulation</td>
<td>0.00</td>
<td></td>
<td>0.00</td>
<td>$0</td>
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<tr>
<td>Heating/Cooling</td>
<td>1.41</td>
<td>151,062</td>
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<tr>
<td>Garages/Carparks</td>
<td>0.00</td>
<td></td>
<td>0.00</td>
<td>$0</td>
</tr>
<tr>
<td>Comm 4/or Aux Bldgs</td>
<td>1.85</td>
<td>198,010</td>
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**PAYMENT COMPUTATION**

<table>
<thead>
<tr>
<th>Category</th>
<th>Int. Rate</th>
<th>Term</th>
<th>DCR</th>
<th>Additional Charge</th>
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<tbody>
<tr>
<td>Primary</td>
<td>8.25%</td>
<td>360</td>
<td>1.00</td>
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</tr>
<tr>
<td>Secondary</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Int. Rate</td>
<td>8.00%</td>
<td>360</td>
<td>1.13</td>
<td></td>
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</table>

**RECOMMENDED FINANCING STRUCTURE:**

Primary Debt Service $158,049
Secondary Debt Service 0
Additional Debt Service 0

**NET CASH FLOW** $20,874

### OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

<table>
<thead>
<tr>
<th>Income at 3.00%</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 10</th>
<th>Year 15</th>
<th>Year 20</th>
<th>Year 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential Gross Rent</td>
<td>$557,636</td>
<td>$553,765</td>
<td>$570,378</td>
<td>$587,489</td>
<td>$605,114</td>
<td>$701,493</td>
<td>$813,223</td>
<td>$942,748</td>
<td>$1,266,974</td>
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<tr>
<td>Secondary Income</td>
<td>17,280</td>
<td>17,798</td>
<td>18,332</td>
<td>18,882</td>
<td>19,449</td>
<td>22,546</td>
<td>26,138</td>
<td>30,301</td>
<td>40,721</td>
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<tr>
<td>Other Support Income</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Total Direct Construction Costs</td>
<td>$47.59</td>
<td>$5,099,119</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
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**NET DIRECT CONSTRUCTION COSTS** $38.66 $4,141,759

**DEBT SERVICE**

First Lien Financing $158,049 $158,049 $158,049 $158,049 $158,049 $158,049 $158,049 $158,049 $158,049
Second Lien 0 0 0 0 0 0 0 0 0
Other Financing 0 0 0 0 0 0 0 0 0

**NET CASH FLOW** $20,874 $23,155 $25,380 $27,546 $29,639 $38,811 $44,954 $44,613 $28,332

**DEBT COVERAGE RATIO** 1.13 1.16 1.17 1.19 1.25 1.28 1.29 1.18

34,225 41,883 45,784 37,473
## LIHTC Allocation Calculation - Cardinal Village, Nacogdoches, LIHTC #021

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>APPLICANT'S TOTAL AMOUNTS</th>
<th>TDHCA TOTAL AMOUNTS</th>
<th>APPLICANT'S REHAB/NEW ELIGIBLE BASIS</th>
<th>TDHCA REHAB/NEW ELIGIBLE BASIS</th>
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<tbody>
<tr>
<td>(1) Acquisition Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of land</td>
<td>$411,400</td>
<td>$374,000</td>
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<td></td>
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<tr>
<td>Purchase of buildings</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(2) Rehabilitation/New Construction Cost</td>
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<td></td>
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<tr>
<td>On-site work</td>
<td>$447,985</td>
<td>$447,985</td>
<td>$447,985</td>
<td>$447,985</td>
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<tr>
<td>Off-site improvements</td>
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<tr>
<td>(3) Construction Hard Costs</td>
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<tr>
<td>New structures/rehabilitation</td>
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<td>$4,141,759</td>
<td>$4,452,088</td>
<td>$4,141,759</td>
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<td>(4) Contractor Fees &amp; General Requirements</td>
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<td>Contractor overhead</td>
<td>$398,001</td>
<td>$91,795</td>
<td>$398,001</td>
<td>$91,795</td>
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<td>Contractor profit</td>
<td>$294,004</td>
<td>$275,385</td>
<td>$294,004</td>
<td>$275,385</td>
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<tr>
<td>General requirements</td>
<td>$294,004</td>
<td>$275,385</td>
<td>$294,004</td>
<td>$275,385</td>
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<tr>
<td>(5) Contingencies</td>
<td>$289,125</td>
<td>$229,487</td>
<td>$245,004</td>
<td>$229,487</td>
</tr>
<tr>
<td>(6) Eligible Indirect Fees</td>
<td>$298,919</td>
<td>$298,919</td>
<td>$298,919</td>
<td>$298,919</td>
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<tr>
<td>(7) Eligible Financing Fees</td>
<td>$278,376</td>
<td>$278,376</td>
<td>$278,376</td>
<td>$278,376</td>
</tr>
<tr>
<td>(8) All Ineligible Costs</td>
<td>$355,327</td>
<td>$355,327</td>
<td></td>
<td></td>
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<tr>
<td>(9) Developer Fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Developer overhead</td>
<td>$308,706</td>
<td>$288,451</td>
<td>$308,706</td>
<td>$288,451</td>
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<td>Developer fee</td>
<td>$617,413</td>
<td>$617,413</td>
<td>$617,413</td>
<td>$617,413</td>
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<tr>
<td>(10) Development Reserves</td>
<td>$167,806</td>
<td>$167,806</td>
<td></td>
<td></td>
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<tr>
<td>TOTAL DEVELOPMENT COSTS</td>
<td>$8,313,154</td>
<td>$7,842,088</td>
<td>$7,334,500</td>
<td>$6,944,955</td>
</tr>
</tbody>
</table>

### Deduct from Basis:

- All grant proceeds used to finance costs in eligible basis
- B.M.R. loans used to finance cost in eligible basis
- Non-qualified non-recourse financing
- Non-qualified portion of higher quality units (42(d)(3))
- Historic Credits (on residential portion only)

| TOTAL ELIGIBLE BASIS | $7,334,500 | $6,944,955 |
| TOTAL ADJUSTED BASIS | $9,534,850 | $9,028,441 |
| Applicable Fraction | 100% | 100% |
| TOTAL QUALIFIED BASIS | $9,534,850 | $9,028,441 |
| Applicable Percentage | 8.44% | 8.44% |
| TOTAL AMOUNT OF TAX CREDITS | $804,741 | $762,000 |

| Syndication Proceeds | 0.7499 | $6,034,956 | $5,714,432 |
TDHCA #
02174

Region 5

General Set-Aside
DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 5  LIHTC Primary Set Aside: G
Site Address: 2600 S. 12th (NE crnr of 12th & Terrell Avenue)  Additional Elderly Set Aside ☑
City: Beaumont  Purpose / Activity: NC
County: Jefferson  Development Type: Elderly
Zip Code: 77701  Special Needs: 16 Units for Handicapped/Developmentally Disabled

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendation: $719,168  Allocation over 10 Years: $7,191,680

UNIT INFORMATION

<table>
<thead>
<tr>
<th>Eff</th>
<th>1 BR</th>
<th>2 BR</th>
<th>3 BR</th>
<th>4 BR</th>
<th>5 BR</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
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<tr>
<td>40%</td>
<td>0</td>
<td>19</td>
<td>14</td>
<td>0</td>
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<td>33</td>
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<tr>
<td>50%</td>
<td>0</td>
<td>25</td>
<td>19</td>
<td>0</td>
<td>0</td>
<td>44</td>
</tr>
<tr>
<td>60%</td>
<td>0</td>
<td>20</td>
<td>11</td>
<td>0</td>
<td>0</td>
<td>31</td>
</tr>
<tr>
<td>MR</td>
<td>0</td>
<td>3</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>6</td>
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<tr>
<td>Total</td>
<td>0</td>
<td>68</td>
<td>48</td>
<td>0</td>
<td>0</td>
<td>110</td>
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</table>

Total LI Units: 110

Owner/Employee Units: 0

Total Project Units: 116

Applicable Fraction: 95.00

BUILDING INFORMATION

Total Development Cost: $7,930,884

Gross Building Square Feet: 89,888

Total NRA SF: 86,136

Gross/Net Rentable: 1.04

Average Square Feet/Unit: 743

Cost Per Net Rentable Square Foot: $92.07

Credits per Low Income Unit: $6,538

INCOME AND EXPENSE INFORMATION

Effective Gross Income: $579,054

Total Expenses: $361,590

Net Operating Income: $217,464

Estimated 1st Year Debt Coverage Ratio: 1.11

DEVELOPMENT TEAM

Developer: Gateway Senior Housing Development, LLC
Market Analyst: Lewis & Howard

Housing GC: Camden Building, Inc.
Originator/UW: NA

Infrastructure GC: Camden Building, Inc.
Appraiser: NA

Cost Estimator: Camden Building, Inc.
Attorney: Steven Charnquist

Architect: Hoff Architects
Supp Services: Texas Inter-Faith Housing Corp.

Property Manager: Greystar Management Services
Accountant: Novogradac & Company, LLP

Engineer: Brown & Gay Engineering
PermaMent Lender: American Mortgage Acceptance Co.

Syndicator: Related Capital

DEPARTMENT EVALUATION

Points Awarded: 136  Site Review: Acceptable

Underwriting Finding: AC

Underwriting Findings: A=Acceptable, AC=Acceptable with Conditions, NR=Not Recommender
2002 Development Profile and Board Summary (Continued)

Project Name: Gateway Village Seniors  Project Number: 02174

PUBLIC COMMENT SUMMARY  Note: "O" = Opposed, "S" = Support, "NC" or Blank = No comment
# of Letters, Petitions, or Witness Affirmation Forms (not from Officials):  Support: 4  Opposition: 0

☐ A resolution was passed by the local government in support of the development.

Conditions to Commitment
Receipt, review, and acceptance of certified 2001 financial statements for the Oak Lake Community Housing Development Corporation.
Receipt, review, and acceptance of a confirmed grant of CDBG funds in the amount of $15,000 from the City of Beaumont.
Receipt, review, and acceptance of evidence of rezoning of the site to permit the proposed development.

CONDITIONS TO COMMITMENT
Receipt, review, and acceptance of certified 2001 financial statements for the Oak lake Community Housing Development Corporation.
Receipt, review, and acceptance of a confirmed grant of CDBG funds in the amount of $15,000 from the City of Beaumont.
Receipt, review, and acceptance of evidence of rezoning of the site to permit the proposed development.

Alternate Recommendation:
RECOMMENDATION BY PROGRAM MANAGER AND DIRECTOR OF HOUSING PROGRAMS IS BASED ON:
☐ Score  ☐ Meeting Required Set Aside  ☐ Meeting the Regional Allocation
☐ To serve a greater number of lower income families for fewer credits
☐ To serve a greater number of lower income families for a longer period of time
☐ To ensure the Development’s consistency with local needs or its impact as part of a revitalization or preservation plan
☐ To serve a greater number of lower income families for a longer period of time
Comment: This was one of the highest scoring developments in Region 5.

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:
The recommendation by the Executive Award and Review Advisory Committee for the 2002 LIHTC applications is also based on the above reasons. If a decision was based on any additional reason, that reason is identified below:

☐ BOARD OF DIRECTOR’S APPROVAL AND DESCRIPTION OF DISCRETIONARY FACTORS (if applicable):
Approved Credit Amount: _____________________________  Date of Determination: ________________

Michael E. Jones, Chairman of the Board  Date

LOCAL/STATE/FEDERAL OFFICIALS WITH JURISDICTION:
Local Official: David W. Moore, Mayor, S  Comment from Other Public Official: Kyle Hayes, Beaumont Economic Dev. Director, S
TX Rep.: Joe Deshotel, Dist. 22 S  James E. Rich, Beaumont Chamber Of Commerce President, S
TX Sen.: David Bernsen, Dist. 4 S  Stephen J. Bonczek, Beaumont City Manager, S
US Rep.: Nick Lampson, US Representative, District 9, S  Allan B. Ritter, State Representative, District 21, S
US Sen.: Carl R. Griffith, Jr., County Judge, S

PUBLIC COMMENT SUMMARY
TX Rep.: Kyle Hayes, Beaumont Economic Dev. Director, S
TX Sen.: James E. Rich, Beaumont Chamber Of Commerce President, S
Local Official: David W. Moore, Mayor, S
TX Rep.: Joe Deshotel, Dist. 22 S
TX Sen.: David Bernsen, Dist. 4 S
US Rep.: Nick Lampson, US Representative, District 9, S
US Sen.: Carl R. Griffith, Jr., County Judge, S

A resolution was passed by the local government in support of the development.

# of Letters, Petitions, or Witness Affirmation Forms (not from Officials): Support: 4  Opposition: 0

Local/State/Federal Officials with Jurisdiction: Comment from Other Public Official
Local Official: David W. Moore, Mayor, S  Kyle Hayes, Beaumont Economic Dev. Director, S
TX Rep.: Joe Deshotel, Dist. 22 S  James E. Rich, Beaumont Chamber Of Commerce President, S
TX Sen.: David Bernsen, Dist. 4 S  Stephen J. Bonczek, Beaumont City Manager, S
US Rep.: Nick Lampson, US Representative, District 9, S  Allan B. Ritter, State Representative, District 21, S
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☐ To serve a greater number of lower income families for fewer credits
☐ To serve a greater number of lower income families for a longer period of time
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☐ BOARD OF DIRECTOR’S APPROVAL AND DESCRIPTION OF DISCRETIONARY FACTORS (if applicable):
Approved Credit Amount: _____________________________  Date of Determination: ________________

Michael E. Jones, Chairman of the Board  Date
Compliance Status Summary

Project ID #: 02174

LIHTC 9% ☑ LIHTC 4% □

Project Name: Gateway Village Seniors

HOME □ HTF □

Project City: Beaumont

BOND □ SECO □

Housing Compliance Review

Project(s) in material non-compliance □

No previous participation □

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

# reviewed 2 # not yet monitored or pending review 1

# of projects grouped by score 0-9: 2 10-19: 0 20-29: 0

Members of the development team have been disbarred by HUD □

National Previous Participation Certification Received N/A

Non-Compliance Reported

Completed by Jo En Taylor Completed on 05/08/2002

Single Audit

Status of Findings (any outstanding single audit issues are listed below)

single audit not applicable ☑ no outstanding issues □ outstanding issues □

Comments:

Completed by Lucy Trevino Completed on 05/23/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable ☑ monitoring review pending □

reviewed; no unresolved issues □ reviewed; unresolved issues found □

Comments:

Completed by Ralph Hendrickson Completed on 05/17/2002
<table>
<thead>
<tr>
<th>Community Affairs</th>
<th>Status of Findings (any unresolved issues are listed below)</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>monitoring review not applicable ✓ monitoring review pending □</td>
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<tr>
<td></td>
<td>reviewed; no unresolved issues □ reviewed; unresolved issues found □</td>
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<tr>
<td>Comments:</td>
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<tr>
<td>Completed by</td>
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<td>Completed on</td>
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<table>
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<tr>
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<tbody>
<tr>
<td></td>
<td>monitoring review not applicable □ monitoring review pending □</td>
</tr>
<tr>
<td></td>
<td>reviewed; no unresolved issues □ reviewed; unresolved issues found □</td>
</tr>
<tr>
<td>Comments:</td>
<td></td>
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<td>Completed by</td>
<td></td>
</tr>
<tr>
<td>Completed on</td>
<td></td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Housing Programs</th>
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<tbody>
<tr>
<td></td>
<td>monitoring review not applicable □ monitoring review pending □</td>
</tr>
<tr>
<td></td>
<td>reviewed; no unresolved issues ✓ reviewed; unresolved issues found □</td>
</tr>
<tr>
<td>Comments:</td>
<td></td>
</tr>
<tr>
<td>Completed by</td>
<td>E. Weilbaecher</td>
</tr>
<tr>
<td>Completed on</td>
<td>06/06/2002</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Multifamily Finance</th>
<th>Status of Findings (any unresolved issues are listed below)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>monitoring review not applicable □ monitoring review pending □</td>
</tr>
<tr>
<td></td>
<td>reviewed; no unresolved issues □ reviewed; unresolved issues found □</td>
</tr>
<tr>
<td>Comments:</td>
<td></td>
</tr>
<tr>
<td>Completed by</td>
<td></td>
</tr>
<tr>
<td>Completed on</td>
<td></td>
</tr>
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</table>

Executive Director: Edwina Carrington         Date Signed: June 10, 2002
**DEVELOPMENT NAME**

Gateway Village Seniors Apartments

**APPLICANT**

<table>
<thead>
<tr>
<th>Name</th>
<th>Type</th>
<th>Address</th>
<th>City</th>
<th>State</th>
<th>Zip</th>
<th>Contact</th>
<th>Phone</th>
<th>Fax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gateway Senior Housing, Ltd.</td>
<td>For Profit</td>
<td>31626 Huffsmith Dobbins Road</td>
<td>Magnolia</td>
<td>TX</td>
<td>77354</td>
<td>David Hendricks</td>
<td>(281) 580-1247</td>
<td>(281) 893-6528</td>
</tr>
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</table>

**PRINCIPALS of the APPLICANT**

<table>
<thead>
<tr>
<th>Name</th>
<th>%</th>
<th>Title</th>
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<tbody>
<tr>
<td>Gateway Senior Housing I, L.L.C.</td>
<td>.0089</td>
<td>Managing General Partner</td>
</tr>
<tr>
<td>Related Capital Company</td>
<td>99.99</td>
<td>Initial Limited Partner</td>
</tr>
<tr>
<td>One Oaklake III, LLC</td>
<td>.0011</td>
<td>Co-General Partner</td>
</tr>
<tr>
<td>David Hendricks</td>
<td>N/A</td>
<td>Manager of M.G.P.</td>
</tr>
<tr>
<td>Thomas Wolff</td>
<td>N/A</td>
<td>Representative of Co-G.P.</td>
</tr>
</tbody>
</table>

**MANAGING GENERAL PARTNER**

<table>
<thead>
<tr>
<th>Name</th>
<th>Type</th>
<th>Address</th>
<th>City</th>
<th>State</th>
<th>Zip</th>
<th>Contact</th>
<th>Phone</th>
<th>Fax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gateway Senior Housing I, L.L.C.</td>
<td>For Profit</td>
<td>31626 Huffsmith Dobbin Road</td>
<td>Magnolia</td>
<td>TX</td>
<td>77354</td>
<td>David Hendricks</td>
<td>(281) 580-1247</td>
<td>(281) 893-6528</td>
</tr>
</tbody>
</table>

**CO-GENERAL PARTNER**

<table>
<thead>
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<th>Type</th>
<th>Address</th>
<th>City</th>
<th>State</th>
<th>Zip</th>
<th>Contact</th>
<th>Phone</th>
<th>Fax</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Oaklake III, LLC</td>
<td>Non-Profit</td>
<td>3131 West Alabama, Suite 525</td>
<td>Magnolia</td>
<td>TX</td>
<td>77354</td>
<td>Thomas Wolff</td>
<td>(281) 580-1247</td>
<td>(281) 893-6528</td>
</tr>
</tbody>
</table>

**PROPERTY LOCATION**

<table>
<thead>
<tr>
<th>Location</th>
<th>QCT</th>
<th>DDA</th>
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<tbody>
<tr>
<td>2600 S. 12th Street (NE corner of intersection of 12th Street &amp; Terrell Avenue)</td>
<td>☑️</td>
<td></td>
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</table>

City: Beaumont  County: Jefferson  Zip: 77701

**REQUEST**

<table>
<thead>
<tr>
<th>Amount</th>
<th>Interest Rate</th>
<th>Amortization</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>$760,790</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Other Requested Terms: Annual ten-year allocation of low-income housing tax credits

Proposed Use of Funds: New construction  Set-Aside: ☑️ General  ☐ Rural  ☐ Non-Profit
### Site Description

<table>
<thead>
<tr>
<th>Size:</th>
<th>10.687 acres</th>
<th>465,526 square feet</th>
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</thead>
<tbody>
<tr>
<td>Zoning/ Permitted Uses:</td>
<td>LI, Light Industrial (non-conforming use), rezoning change request submitted</td>
<td></td>
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<tr>
<td>Flood Zone Designation:</td>
<td>Zone C</td>
<td></td>
</tr>
<tr>
<td>Status of Off-Sites:</td>
<td>Partially Improved</td>
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</tbody>
</table>

### Description of Improvements

<table>
<thead>
<tr>
<th>Total Units:</th>
<th>116 Rental Buildings</th>
<th>29 Common Area Buildings</th>
<th>1 # of Floors</th>
<th>1 Age: 0 yrs</th>
<th>Vacant: N/A at / /</th>
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</thead>
</table>

<table>
<thead>
<tr>
<th>Number</th>
<th>Bedrooms</th>
<th>Bathroom</th>
<th>Size in SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>68</td>
<td>1</td>
<td>1</td>
<td>654</td>
</tr>
<tr>
<td>48</td>
<td>2</td>
<td>2</td>
<td>868</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Rentable SF:</th>
<th>86,136</th>
<th>Av Un SF:</th>
<th>743</th>
<th>Common Area SF:</th>
<th>3,419</th>
<th>Gross Bldng SF</th>
<th>89,888</th>
</tr>
</thead>
</table>

| Property Type: | ☒ Multifamily | ☐ SFR Rental | ☒ Elderly | ☒ Mixed Income | ☐ Special Use |

### Construction Specifications

**Structural Materials**

Wood frame on a post-tensioned concrete slab on grade, 80% stucco/20% cement siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

**Appliances and Interior Features**

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, high-speed internet access, individual water heaters

### On-Site Amenities

3,419-SF community building with activity, crafts, & recreation rooms, management offices, laundry facilities????, kitchen, restrooms, central mailroom, swimming pool, perimeter fencing with limited access gate

<table>
<thead>
<tr>
<th>Uncovered Parking:</th>
<th>215 spaces</th>
<th>Carports: 0 spaces</th>
<th>Garages: 0 spaces</th>
</tr>
</thead>
</table>

### Other Sources of Funds

**Interim Construction or GAP Financing**

<table>
<thead>
<tr>
<th>Source: American Mortgage Acceptance Company</th>
<th>Contact: Justin Ginsberg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Amount: $2,500,000</td>
<td>Interest Rate: 319 basis points over ten-year U.S. Treasury rate (estimated &amp; underwritten at 8.06%)</td>
</tr>
<tr>
<td>Additional Information: Interest-only payments, rate fixed at construction loan closing</td>
<td></td>
</tr>
<tr>
<td>Amortization: N/A yrs</td>
<td>Term: 1 yrs</td>
</tr>
</tbody>
</table>

**Long Term/Permanent Financing**

<table>
<thead>
<tr>
<th>Source: American Mortgage Acceptance Company</th>
<th>Contact: Justin Ginsberg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Amount: $2,227,000</td>
<td>Interest Rate: 289 basis points over ten-year U.S. Treasury rate, estimated &amp; underwritten at 8%</td>
</tr>
<tr>
<td>Additional Information: Rate fixed at construction loan closing</td>
<td></td>
</tr>
<tr>
<td>Amortization: 30 yrs</td>
<td>Term: 18 yrs</td>
</tr>
<tr>
<td>Annual Payment: $196,091</td>
<td>Lien Priority: 1st</td>
</tr>
</tbody>
</table>
### ADDITIONAL LONG TERM FINANCING

**Source:** City of Beaumont  
**Contact:** Janett Brunt  
**Principal Amount:** $15,000  
**Interest Rate:** Grant  
**Additional Information:** Application submitted and acknowledged 3/1/02. Written confirmation of approval of award pending, expected by 6/14/02.

### LIHTC SYNDICATION

**Source:** Related Capital Company  
**Contact:** Justin Ginsberg  
**Address:** 625 Madison Avenue, New York, NY 10022  
**Phone:** (212) 588-1765  
**Fax:** (212) 751-3546  
**Net Proceeds:** $6,009,640  
**Net Syndication Rate** (per $1.00 of 10-yr LIHTC) $0.79  
**Commitment:** Conditional  
**Date:** 2/22/2002

### APPLICANT EQUITY

**Amount:** $211,695  
**Source:** Deferred developer fee

### VALUATION INFORMATION

**Land:** $206,852  
**Assessment for the Year of:** 2001  
**Building:** N/A  
**Valuation by:** Jefferson County Appraisal District  
**Total Assessed Value:** $206,852

### EVIDENCE of SITE or PROPERTY CONTROL

**Type of Site Control:** Two earnest money contracts  
**Contract Expiration Date:** 9/16/2002  
**Anticipated Closing Date:** 9/15/2002  
**Acquisition Cost:** $547,506  
**Other Terms/Conditions:** Related to Development Team Member: No

### REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

### PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Gateway Village Seniors Apartments is a proposed new construction development of 116 units of mixed income elderly housing located in southwest Beaumont. The development is comprised of 29 one-story fourplex residential buildings as follows:
- Seventeen Building Type 1 with four one-bedroom units; and
- Twelve Building Type 2 with four two-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building and swimming pool located near the entrance to the site. The 3,419-square foot community building plan includes the management offices, four community rooms, a kitchen, restrooms, and laundry facilities. There are also to be four gazebos with seating and two walking trails located throughout the site.
**Supportive Services:** The Applicant has contracted with the Texas Inter-Faith Management Corporation, dba Good Neighbor, to provide the following supportive services programs to tenants: personal growth opportunities, family skills development, education, fun and freedom activities, and neighborhood advancement, and information and referral services for other local service providers. These services will be provided at no cost to tenants. The contract requires the Applicant to provide and furnish facilities in the community building for provision of the services, to pay a one-time startup fee of $1,000 plus $7.88/unit/month ($10,969/year) for these support services.

**Schedule:** The Applicant anticipates construction to begin in January of 2003, to be completed in March of 2004, to be placed in service in April of 2004, and to be substantially leased-up in June of 2004.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 110 of the units (95% of the total) will be reserved for low-income elderly tenants. Two of the units (2%) will be reserved for households earning 30% or less of AMGI, 33 units (29%) will be reserved for households earning 40% or less of AMGI, 44 units (38%) will be reserved for households earning 50% or less of AMGI, 31 units (27%) will be reserved for households earning 60% or less of AMGI, and the remaining six units will be offered at market rents.

**Special Needs Set-Asides:** Sixteen units (14%) will be reserved for handicapped or developmentally-disabled tenants.

**Compliance Period Extension:** The Applicant has elected to extend the compliance period an additional 25 years.

**MARKET HIGHLIGHTS**

A market feasibility study dated March 25, 2002 was prepared by Lewis & Howard and highlighted the following findings:

**Definition of Market/Submarket:** “The market area for the proposed subject property has been determined to be the general area comprising the city of Beaumont, Texas.” (cover letter) “The subject property is included within the Beaumont/Port Arthur MSA and has been considered as part of the general Beaumont area in demand analysis for low-income housing.” (p. 6) “…it is our opinion that the market area from which the subject property draws is probably within a five-mile radius.” (p. 39)

**Total Regional Market Demand for Rental Units:** “The industrial base of the Golden Triangle is integral to the demand for housing and the overall economic condition of the area. Oil refining has been the staple of the industrial base and is expected to remain so in the foreseeable future. The recent fluctuation in oil prices is not considered to have been a material factor impacting the area economy, but has influenced the oil-related industries of the region. The demand for housing is expected to continue to grow as is the need for low-income housing.” (p. 21)

**Total Local/Submarket Demand for Rental Units:** “There is current sufficient demand for the absorption, over the planned construction period, of the 110 low-income and six market units in the subject’s market area.” (p. 61)

<table>
<thead>
<tr>
<th>Type of Demand</th>
<th>Market Analyst</th>
<th>Underwriter</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Units of Demand</td>
<td>% of Total Demand</td>
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<tr>
<td>Household Growth</td>
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<td>0%</td>
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<tr>
<td>Resident Turnover</td>
<td>0</td>
<td>0%</td>
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<tr>
<td>Other Sources: Existing Qualified Renters</td>
<td>2,127*</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL ANNUAL DEMAND</strong></td>
<td><strong>2,127</strong>*</td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Ref: p. 42

*Individuals, not households
**Capture Rate:** The analyst calculated a capture rate of 13.16% but did not use TDHCA methodology in that he divided the estimated number of tenants (280) into the estimated demand in individuals (2,127) rather than dividing the number of proposed and unstabilized affordable units into the estimated demand in households. The Underwriter therefore calculated a concentration capture rate of 10% based upon a revised supply of unstabilized comparable units of 116 divided by a revised demand of 1,112 households. Another 140 units are currently under construction in the submarket but these were not included in the supply calculation because they are not oriented to seniors only.

**Local Housing Authority Waiting List Information:** “There are…several HUD and Section 8 properties in the city of Beaumont [which, according to the City of Beaumont Housing Department, are all operating at 100% occupancy, with more than 500 families on waiting lists.” (p. 39) “…the City of Beaumont Housing Department has indicated that there is a significant demand for senior [housing], based on the waiting lists for Section 8 housing.” (p. 42)

**Market Rent Comparables:** The market analyst surveyed eight comparable apartment projects totaling 1,177 units in the market area. “The subject property will be at the lower end of the market in regards to rental rates...Although there are few available low-income housing products in the neighborhood, those existing are generally older properties that have not been well maintained. The subject property will be a superior product to these properties.” (p. 61)

The analyst presented conflicting information on comparable elderly projects: “Currently, there are no senior apartment projects in the Beaumont area.” (p. 42) “An elderly LIHTC project, the Villas of Sunnyside, absorbed 143 units in approximately 18 months…Further, this project is at 100% occupancy currently, with a substantial waiting list according to the leasing agent.” (p. 58) The analyst used this development as a comparable in comparing unit sizes and amenities and in estimating the market rental rates.

### RENT ANALYSIS (net tenant-paid rents)

<table>
<thead>
<tr>
<th>Unit Type (% AMI)</th>
<th>Proposed</th>
<th>Program Max</th>
<th>Differential</th>
<th>Market</th>
<th>Differential</th>
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</thead>
<tbody>
<tr>
<td>1-Bedroom (30%)</td>
<td>$230</td>
<td>$230</td>
<td>$0</td>
<td>$639</td>
<td>-$409</td>
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<tr>
<td>1-Bedroom (40%)</td>
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<td>1-Bedroom (MR)</td>
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<td>2-Bedroom (30%)</td>
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<td>-$493</td>
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<td>2-Bedroom (40%)</td>
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<td>$377</td>
<td>$0</td>
<td>$765</td>
<td>-$388</td>
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<td>2-Bedroom (50%)</td>
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<td>-$283</td>
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<tr>
<td>2-Bedroom (60%)</td>
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<td>$587</td>
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<tr>
<td>2-Bedroom (MR)</td>
<td>$650</td>
<td>$650</td>
<td>$0</td>
<td>$765</td>
<td>-$115</td>
</tr>
</tbody>
</table>

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =$500, program max =$600, differential = -$100)

**Submarket Vacancy Rates:** The analyst did not provide a specific vacancy rate for the submarket, but stated that the occupancy rate for the eight comparable projects was 99%. “Existing high occupancy rates in the subject’s submarket are at levels that indicate a need for additional housing. A projection of occupancy rates at the time the proposed subject units go into service in approximately 12 to 18 months is expected to be in the low to mid 90% range in all projects.” (p. 58)

**Absorption Projections:** “…it is our opinion that the subject project’s units will likely be absorbed within a 12-month period of the completion of the improvements.” (p. 61)

**Known Planned Development:** “…there are 140 units that are currently under construction within the area that are LIHTC units. The developer of this project has indicated that although the units are not yet complete, the demand is excellent, and they have pre-leased almost 50% of the units. These units have not been included in…demand…as they are standard units not oriented toward the senior market.” (p. 42) (Note: this development will have 105 affordable units.)

**Effect on Existing Housing Stock:** “It is our opinion that the influx of the subject’s 116 units will not
significantly impact the occupancy in the immediate area.” (p. 61)

Other Relevant Information: “As indicated in the demographic profile, the [total] population is anticipated to slightly decrease over the next five years.” (p. 41) The demographic data provided, however, forecasts a small increase of 1,473 persons (6.3%) aged 55+, which presumably indicates an exodus of younger persons and an aging in place of older persons (the targeted population).

The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Beaumont is located in southeast Texas, approximately 75 miles east of Houston on the Louisiana border in Jefferson County. The site is an irregularly-shaped parcel located in the southwest area of the city, approximately two miles from the central business district. The site is situated on the east side of 12th Street.

Population: The estimated 2000 elderly population of the primary market area was 23,567 and is expected to increase by 6.3% to approximately 25,040 by 2005. Within the primary market area there were estimated to be 16,694 elderly households in 2000, based on the Underwriter’s estimated elderly household size of 1.5 persons.

Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed, with vacant land, light industrial/manufacturing, and retail and commercial uses. Adjacent land uses include:
- North: Vacant land, retail, and a nursing home
- South: Terrell Avenue, with vacant land, a drainage canal, and commercial beyond
- East: Vacant land, commercial, restaurants, and a church
- West: 12th Street, with a warehouse supermarket and auto dealership beyond

Site Access: Access to the property is from the north or south from 12th Street or the east or west along Terrell Avenue. The development is to have one entry, from the west from 12th Street. Access to Interstate Highway 10 is one-quarter mile west, which provides connections to all other major roads serving the Beaumont area as well as Houston and other surrounding communities.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within two miles of most of the amenities and facilities of Beaumont, including neighborhood shopping centers, other retail establishments, and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Special Adverse Site Characteristics: The site’s current zoning does not permit multifamily residential use. The Applicant has applied for a change in zoning, and receipt, review, and acceptance of evidence of rezoning to a conforming use is a condition of this report.

Site Inspection Findings: The site has not been inspected by a TDHCA staff member, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 26, 2002 was prepared by Law Engineering and Environmental Services, Inc. and contained the following findings and recommendations: “This assessment has not revealed evidence of recognized environmental conditions in connection with the subject property. Additional assessment is not recommended at this time.” (p. 19)

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s rent projections are the maximum rents allowed under LIHTC guidelines, and are achievable according to the market analyst. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant’s estimate of total operating expense is 3% lower than the Underwriter’s adjusted TDHCA database-derived estimate, an acceptable deviation. The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($10.6K higher), payroll ($14.4K lower), water, sewer, and trash ($13.6K lower), and property tax ($11.6K higher). The Applicant understated replacement reserves by $5.8K by using $150/unit annually, although both the permanent lender and LIHTC syndicator require $200/unit. The syndicator is
also limiting the management fee to 4% of net rental income, and the Underwriter used this factor in estimating the fee.

Conclusion: The Applicant’s estimated income is consistent with the Underwriter’s expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant’s NOI should be used to evaluate debt service capacity. In both the Applicant’s and the Underwriter’s income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.25.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of $547,506 ($1.18/SF or $51.3K/acre), although 265% of the tax assessed value, is assumed be reasonable since the acquisition is an arm’s-length transaction.

Sitework Cost: The Applicant’s claimed sitework costs of $6,116 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant’s direct construction cost estimate is $108K or 3% higher than the Underwriter’s Marshal & Swift Residential Cost Handbook-derived estimate, and is therefore regarded as reasonable as submitted.

Ineligible Costs: The Applicant incorrectly included $30K in marketing as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant’s eligible basis.

Interim Financing Fees: The Underwriter reduced the Applicant’s eligible interim financing fees by $38,606 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent adjustment to the Applicant’s eligible basis estimate.

Fees: The Applicant’s general requirements, contractor’s general and administrative fees, and contractor’s profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs by $157.8K. The Applicant’s contingency allowance also exceeds the TDHCA 5% guideline by $19.8K. Consequently the Applicant’s eligible fees in these areas have been reduced, with the overage effectively moved to ineligible costs. The Applicant’s developer fees also exceed 15% of the Applicant’s adjusted eligible basis and therefore the eligible portion of the Applicant’s developer fee must be reduced by $206.5K.

Grant Funds: The Applicant and Underwriter reduced eligible basis by the amount of the City CDBG grant ($15,000) described in the financing structure analysis section below.

Conclusion: Due to the Applicant’s overstated developer’s and contractor’s fees, the Applicant’s total development cost is more than 5% higher than the Underwriter’s costs and is considered to be overstated. Therefore, the Underwriter’s cost estimate is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $6,921,474 is used to determine a credit allocation of $719,168 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Underwriter’s costs to determine the recommended credit amount.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with five types of financing from four sources: a predevelopment loan, a conventional interim to permanent loan, a local government CDBG grant, syndicated LIHTC equity, and deferred developer’s fees.

Predevelopment Loan: The equity provider will make a predevelopment loan to the Applicant in the amount of $600,000 upon an LIHTC allocation, to be used to pay predevelopment costs required to meet the 10% carryover test. The loan will be made prior to the construction loan closing and will be paid off by either the construction loan or equity.

Conventional Interim to Permanent Loan: There is a commitment for interim to permanent financing through American Mortgage Acceptance Company in the amount of up to $2,500,000 during both the interim period and conversion to permanent. The commitment letter indicated a term of 12 months for the construction portion, with two three-month extensions available, and 18 years for the permanent, with a 30-year amortization schedule. The construction loan interest rate will be fixed at 30 basis points over the permanent loan rate, which will be approximately 289 basis points over the ten-year U.S. Treasury rate. The commitment letter stated that this rate was 7.76% at the time of the commitment (February 2002), but the
Applicant used an estimate of 8% and the Underwriter has used this rate in this analysis. Both loan rates will be fixed at construction loan closing.

**LIHTC Syndication:** Related Capital Company has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $6,009,640 based on a syndication factor of 79%. The funds would be disbursed in a three-phased pay-in schedule:
1. 50% upon admission to the partnership;
2. 30% upon completion of construction;
3. 20% upon the latest to occur of: final closing of the permanent mortgage loan, receipt of IRS Forms 8609, or achievement of both 93% occupancy and a DCR of 1.15 for three consecutive months.

**City CDBG Grant:** The Applicant provided evidence of application to the City of Beaumont for a grant of $30,000 in locally administered Community Development Block Grant funds, to be used as a development subsidy for the two 30% AMI units for 15 years. As of the date of this report no commitment has been provided for this grant, and receipt, review, and acceptance of such a commitment is a condition of this report.

**Deferred Developer’s Fees:** The Applicant’s proposed deferred developer’s fees of $211,695 amount to 19% of the total fees.

**Financing Conclusions:** Based on the Underwriter’s estimate of eligible basis, the LIHTC allocation should not exceed $719,168 annually for ten years, resulting in syndication proceeds of approximately $5,680,856. Based on the underwriting analysis, the Applicant’s deferred developer fee will be reduced to $8,028, which amounts to less than 1% of the eligible fee. Should the Applicant’s final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer’s fee will be available to fund those development cost overruns.

**REVIEW of ARCHITECTURAL DESIGN**

The units are in one-story fourplex structures with mixed stucco and cement siding exterior finish and hipped and gabled roofs. All units are of average size for market rate and LIHTC units, and have covered patios with small outdoor storage closets and indoor utility closets with hookups for full-size appliances. Each unit has a semi-private exterior entry.

**IDENTITIES of INTEREST**

David Hendricks is a principal of the Developer, Gateway Senior Housing Development, LLC, and also owns the Managing General Partner. These are common relationships for LIHTC-funded developments.

**APPLICANT’S/PRINCIPALS’ FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE**

**Financial Highlights:**
- The Applicant, Managing General Partner, and Co-General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- Oaklake Community Housing Development Corporation, the parent of the Co-General Partner, submitted an audited financial statement as of December 31, 2000 reporting total assets of $362K and consisting of $66K in cash and advances to a subsidiary, $273K in receivables, $1K in furnishings and equipment, and $21K in partnership interests. No liabilities were reported, resulting in net assets of $362K. The QAP requires that financial statements be no older than 12 months, and receipt, review, and acceptance of certified 2001 financial statements for the Co-General Partner is a condition of this report.

**Background & Experience:**
- The Applicant, Managing General Partner, and Co-General Partner are new entities formed for the purpose of developing the project.
- The parent of the Co-General Partner listed participation as sponsor or co-general partner on two previous LIHTC housing developments totaling 452 units since 1994.

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant’s development costs differ from the Underwriter’s verifiable estimate by more than 5%.
RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $719,168 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of certified 2001 financial statements for Oaklake Community Housing Development Corporation;
2. Receipt, review, and acceptance of a confirmed grant of CDBG funds in the amount of $15,000 from the City of Beaumont;
3. Receipt, review, and acceptance of evidence of rezoning of the site to permit the proposed development;
4. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;

Credit Underwriting Supervisor: Jim Anderson  Date: June 5, 2002

Director of Credit Underwriting: Tom Gouris  Date: June 5, 2002
## Gateway Village Seniors Apartments, 9% LIHTC #02174

### MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

#### Type of Unit

<table>
<thead>
<tr>
<th>Unit</th>
<th>No. of Rooms</th>
<th>No. of Baths</th>
<th>Size in SF</th>
<th>Rent per Unit</th>
<th>Rent per Month</th>
<th>Rent per SF</th>
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<td>$900</td>
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#### TC Sheet Version Date 4/25/01 Page 1 02174 Gateway Village.XLS Print Date 6/14/02 12:31 PM
### DIRECT CONSTRUCTION COST ESTIMATE

#### Residential Cost Handbook

**Average Quality Multiple Residence Basis**

#### PAYMENT COMPUTATION

**Primary**

- Int Rate: 8.00%
- CCR: 1.11

**Secondary**

- Int Rate: 0.00%
- CCR: 1.11

**Additional**

- Int Rate: 0.00%
- CCR: 1.11

#### RECOMMENDED FINANCING STRUCTURE:

- Primary Debt Service: $196,091
- Secondary Debt Service: 0
- Additional Debt Service: 0
- NET CASH FLOW: $21,372

### OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

<table>
<thead>
<tr>
<th>INCOME at 3.00%</th>
<th>YEAR 1</th>
<th>YEAR 2</th>
<th>YEAR 3</th>
<th>YEAR 4</th>
<th>YEAR 5</th>
<th>YEAR 10</th>
<th>YEAR 15</th>
<th>YEAR 20</th>
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<td>$668,841</td>
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<table>
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<th>YEAR 1</th>
<th>YEAR 2</th>
<th>YEAR 3</th>
<th>YEAR 4</th>
<th>YEAR 5</th>
<th>YEAR 10</th>
<th>YEAR 15</th>
<th>YEAR 20</th>
<th>YEAR 30</th>
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<tbody>
<tr>
<td>General &amp; Administrative</td>
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<td>30,221</td>
<td>35,035</td>
<td>40,615</td>
<td>54,583</td>
</tr>
<tr>
<td>Payroll &amp; Payroll Tax</td>
<td>92,674</td>
<td>96,381</td>
<td>100,236</td>
<td>104,246</td>
<td>108,416</td>
<td>131,904</td>
<td>160,481</td>
<td>195,250</td>
<td>289,018</td>
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<td>Utilities</td>
<td>13,166</td>
<td>13,928</td>
<td>14,790</td>
<td>15,724</td>
<td>16,679</td>
<td>19,739</td>
<td>22,789</td>
<td>26,383</td>
<td>39,606</td>
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<tr>
<td>Insurance</td>
<td>15,929</td>
<td>16,566</td>
<td>17,228</td>
<td>17,918</td>
<td>18,634</td>
<td>22,671</td>
<td>27,583</td>
<td>33,559</td>
<td>49,676</td>
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<td>Property Tax</td>
<td>69,510</td>
<td>72,290</td>
<td>75,182</td>
<td>78,189</td>
<td>81,317</td>
<td>98,934</td>
<td>120,366</td>
<td>146,447</td>
<td>216,777</td>
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<tr>
<td>Reserve for Replacements</td>
<td>23,200</td>
<td>24,128</td>
<td>25,093</td>
<td>26,069</td>
<td>27,142</td>
<td>33,021</td>
<td>40,175</td>
<td>48,879</td>
<td>72,535</td>
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<tr>
<td>TOTAL EXPENSES</td>
<td>$361,590</td>
<td>$375,822</td>
<td>$390,412</td>
<td>$405,995</td>
<td>$421,982</td>
<td>$511,910</td>
<td>$621,793</td>
<td>$753,632</td>
<td>$1,110,022</td>
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<tr>
<td>NET OPERATING INCOME</td>
<td>$217,463</td>
<td>$220,603</td>
<td>$223,702</td>
<td>$226,752</td>
<td>$226,752</td>
<td>$253,642</td>
<td>$254,788</td>
<td>$254,556</td>
<td>$254,556</td>
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</table>

| COST SERVICE | | | | | | | | | |
| First Lien Financing | $196,091 | $196,091 | $196,091 | $196,091 | $196,091 | $196,091 | $196,091 | $196,091 | $196,091 |
| Second Lien | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET CASH FLOW | $21,372 | $24,512 | $27,610 | $30,661 | $33,657 | $47,532 | $58,697 | $65,651 | $58,644 |

**DEBT COVERAGE RATIO**: 1.13
<table>
<thead>
<tr>
<th>Category</th>
<th>Applicant's Amounts</th>
<th>TDHCA Amounts</th>
<th>Applicant's Eligible Basis</th>
<th>TDHCA Eligible Basis</th>
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<tbody>
<tr>
<td><strong>1) Acquisition Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Purchase of land</td>
<td>$562,506</td>
<td>$562,506</td>
<td></td>
<td></td>
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<tr>
<td>Purchase of buildings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2) Rehabilitation/New Construction Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>On-site work</td>
<td>$709,454</td>
<td>$709,454</td>
<td>$709,454</td>
<td>$709,454</td>
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<tr>
<td>Off-site improvements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>3) Construction Hard Costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>New structures/rehabilitation</td>
<td>$3,763,255</td>
<td>$3,654,812</td>
<td>$3,763,255</td>
<td>$3,654,812</td>
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<tr>
<td><strong>4) Contractor Fees &amp; General Requirements</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Contractor overhead</td>
<td>$241,870</td>
<td>$87,285</td>
<td>$89,454</td>
<td>$87,285</td>
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<td>Contractor profit</td>
<td>$271,035</td>
<td>$261,856</td>
<td>$268,363</td>
<td>$261,856</td>
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<tr>
<td>General requirements</td>
<td>$271,035</td>
<td>$261,856</td>
<td>$268,363</td>
<td>$261,856</td>
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<tr>
<td><strong>5) Contingencies</strong></td>
<td>$243,407</td>
<td>$218,213</td>
<td>$223,635</td>
<td>$218,213</td>
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<td><strong>6) Eligible Indirect Fees</strong></td>
<td>$436,900</td>
<td>$436,900</td>
<td>$436,900</td>
<td>$436,900</td>
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<tr>
<td><strong>7) Eligible Financing Fees</strong></td>
<td>$401,340</td>
<td>$401,340</td>
<td>$401,340</td>
<td>$401,340</td>
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<tr>
<td><strong>8) All Ineligible Costs</strong></td>
<td>$307,942</td>
<td>$307,942</td>
<td></td>
<td></td>
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<tr>
<td><strong>9) Developer Fees</strong></td>
<td>$282,607</td>
<td>$120,634</td>
<td></td>
<td>$120,634</td>
</tr>
<tr>
<td>Developer overhead</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developer fee</td>
<td>$848,022</td>
<td>$784,123</td>
<td>$784,123</td>
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<td><strong>10) Development Reserves</strong></td>
<td>$123,962</td>
<td>$123,962</td>
<td></td>
<td></td>
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<tr>
<td><strong>TOTAL DEVELOPMENT COSTS</strong></td>
<td>$8,463,335</td>
<td>$7,930,884</td>
<td>$7,084,878</td>
<td>$6,936,474</td>
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</table>

**Deduct from Basis:**
- All grant proceeds used to finance costs in eligible basis: $15,000
- B.M.R. loans used to finance cost in eligible basis: $15,000
- Non-qualified non-recourse financing: $15,000
- Non-qualified portion of higher quality units [42(d)(3)]: $15,000
- Historic Credits (on residential portion only): $15,000

**TOTAL ELIGIBLE BASIS**
- $7,069,878

**High Cost Area Adjustment**
- 130%

**TOTAL ADJUSTED BASIS**
- $9,190,842

**Applicable Fraction**
- 94.70%

**TOTAL QUALIFIED BASIS**
- $8,703,643

**Applicable Percentage**
- 8.44%

**TOTAL AMOUNT OF TAX CREDITS**
- $734,587

Syndication Proceeds: 0.7899
- $5,802,660
- $5,680,856
TDHCA #
02175
Region 5
Rural Set-Aside
DEVELOPMENT NAME: **Creekside Estates, Phase II**

**TDHCA #:** 02175

**LOW INCOME HOUSING TAX CREDIT PROGRAM**

**DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

**DEVELOPMENT LOCATION AND DESIGNATIONS**

- **Region:** 5
- **Site Address:** 1825 Sayers St.
- **City:** Lufkin
- **Zip Code:** 75901
- **County:** Angelina

**Allocation over 10 Years:** $4,731,980

**Development Type:** Family

**Total Project Units:** 60

**Gross/Net Rentable:** 1.12

**Average Square Feet/Unit:** 996

**Cost Per Net Rentable Square Foot:** $78.01

**Net Operating Income:** $104,574

**DEVELOPMENT LOCATION AND DESIGNATIONS**

**DDA**

**TTC**

**DDA**

**Special Needs:** 3 Units for Handicapped/Developmentally Disabled

**OWNER AND PRINCIPAL INFORMATION**

**Owner Entity Name:** Lufkin Creekside Apartments II, Ltd.

**Principal Names:**

- Partners for Effective Development, Inc.
- Carol C. Moore
- NA
- NA
- NA

**Percentage Ownership:**

- Carol C. Moore: 100%
- NA: 0%
- NA: 0%
- NA: 0%

**TAX CREDIT ALLOCATION INFORMATION**

**Annual Credit Allocation Recommendation:** $473,198

**Allocation over 10 Years:** $4,731,980

**Credits Requested:** $539,182

**Eligible Basis Amount:** $496,128

**Equity/Gap Amount:** $473,198

**UNIT INFORMATION**

<table>
<thead>
<tr>
<th>Eff</th>
<th>1 BR</th>
<th>2 BR</th>
<th>3 BR</th>
<th>4 BR</th>
<th>5 BR</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>40%</td>
<td>0</td>
<td>0</td>
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<td>0</td>
<td>0</td>
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</tr>
<tr>
<td>50%</td>
<td>0</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>0</td>
<td>24</td>
</tr>
<tr>
<td>60%</td>
<td>0</td>
<td>12</td>
<td>10</td>
<td>12</td>
<td>0</td>
<td>34</td>
</tr>
<tr>
<td>MR</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Total</td>
<td>0</td>
<td>20</td>
<td>20</td>
<td>0</td>
<td>0</td>
<td>60</td>
</tr>
</tbody>
</table>

**Total LI Units:** 60

**Owner/Employee Units:** 0

**Total Project Units:** 60

**Applicable Fraction:** 100%

**BUILDING INFORMATION**

**Total Development Cost:** $4,662,107

**Gross Building Square Feet:** 66,746

**Total NRA SF:** 59,760

**Gross/Net Rentable:** 1.12

**Average Square Feet/Unit:** 996

**Cost Per Net Rentable Square Foot:** $78.01

**Credits per Low Income Unit:** $7,887

**INCOME AND EXPENSE INFORMATION**

**Effective Gross Income:** $303,672

**Total Expenses:** $199,098

**Net Operating Income:** $104,574

**Estimated 1st Year Debt Coverage Ratio:** 1.14

**DEPARTMENT EVALUATION**

**Points Awarded:** 112

**Site Review:** Acceptable

**Underwriting Finding:** AC

**Note:** "NA" = Not Yet Available

**DEVELOPMENT TEAM**

**Developer:** First MT Development

**Housing GC:** Moore Building Associates, LLP

**Infrastructure GC:** NA

**Cost Estimator:** Moore Building Associates, LLP

**Architect:** Duane Meyers AIA

**Property Manager:** Quest Asset Management, Inc.

**Engineer:** Pax-Sun, Inc.

**Syndicator:** SunAmerica Affordable Housing Partners

**Market Analyst:** Mark Temple

**Originator/UW:** NA

**Appraiser:** William J. Lyon & Associates

**Attorney:** John D. Stover

**Supp Services:** Buckner Children and Family Services

**Accountant:** Novogradac & Company, LLP

**Permanent Lender:** Sun America Affordable Housing Partners

**Published:** 6/17/02 10:43 AM
CONDITIONS TO COMMITMENT

Receipt, review and acceptance of documentation granting a right of way through Phase I and right of access to amenities present at Phase I for Phase II.

Receipt, review and acceptance of an engineer or architect's certification that all streets, parking and buildings are not located in the 100-year flood plain or a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation site work costs, building flood insurance and tenant flood insurance costs.

Receipt, review and acceptance of of a pay-schedule for the anticipated syndication proceeds.

Should the rates or terms of the proposed debt or syndication be altered, the previous recommendations and conditions should be re-evaluated by the Underwriter.

Alternate Recommendation:

RECOMMENDATION BY PROGRAM MANAGER AND DIRECTOR OF HOUSING PROGRAMS IS BASED ON:

- Score
- Meeting Required Set Aside
- Meeting the Regional Allocation

- To serve a greater number of lower income families for fewer credits
- To serve a greater number of lower income families for a longer period of time
- To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan
- To ensure the allocation of credits among as many different entities as practicable without diminishing the quality of the housing that is built

Comment: This development was one of the higher scoring developments in the Rural Set Aside statewide and is needed to meet the Rural Set Aside.

Brooke Boston, Acting LIHTC Co-Manager  Date  David Burrell, Director of Housing Programs  Date

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

The recommendation by the Executive Award and Review Advisory Committee for the 2002 LIHTC applications is also based on the above reasons. If a decision was based on any additional reason, that reason is identified below:

Edwina Carrington, Executive Director  Date  Chairman of Executive Award and Review Advisory Committee

BOARD OF DIRECTOR’S APPROVAL AND DESCRIPTION OF DISCRETIONARY FACTORS (if applicable):

Approved Credit Amount: Date of Determination:

Michael E. Jones, Chairman of the Board  Date
### Compliance Status Summary

**Project ID #:** 02175  
**LIHTC 9%** ✓ | **LIHTC 4%** □

**Project Name:** Lufkin Creekside Apartments  
**HOME** □ | **HTF** □

**Project City:** Lufkin  
**BOND** □ | **SECO** □

#### Housing Compliance Review

- Project(s) in material non-compliance □
- No previous participation □

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

<table>
<thead>
<tr>
<th># reviewed</th>
<th>2</th>
<th># not yet monitored or pending review</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td># of projects grouped by score</td>
<td>0-9: 1</td>
<td>10-19: 0</td>
<td>20-29: 1</td>
</tr>
</tbody>
</table>

- Members of the development team have been disbarred by HUD □
- National Previous Participation Certification Received N/A

Non-Compliance Reported

**Completed by** Jo En Taylor  
**Completed on** 05/08/2002

#### Single Audit

Status of Findings (any outstanding single audit issues are listed below)

- single audit not applicable □
- no outstanding issues ✓
- outstanding issues □

Comments: FY 12-31-01 Single Audit due 6-30-2002

**Completed by** Lucy Trevino  
**Completed on** 05/23/2002

#### Program Monitoring

Status of Findings (any unresolved issues are listed below)

- monitoring review not applicable □
- monitoring review pending ✓
- reviewed; no unresolved issues □
- reviewed; unresolved issues found □

Comments: 539113 Monitoring Review Pending

**Completed by** Ralph Hendrickson  
**Completed on** 05/17/2002
<table>
<thead>
<tr>
<th>Community Affairs</th>
<th>Status of Findings (any unresolved issues are listed below)</th>
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</thead>
<tbody>
<tr>
<td>monitoring review not applicable ✓</td>
<td>monitoring review pending □</td>
</tr>
<tr>
<td>reviewed; no unresolved issues □</td>
<td>reviewed; unresolved issues found □</td>
</tr>
</tbody>
</table>

Comments:
Completed by EEF
Completed on

<table>
<thead>
<tr>
<th>Housing Finance</th>
<th>Status of Findings (any unresolved issues are listed below)</th>
</tr>
</thead>
<tbody>
<tr>
<td>monitoring review not applicable □</td>
<td>monitoring review pending □</td>
</tr>
<tr>
<td>reviewed; no unresolved issues □</td>
<td>reviewed; unresolved issues found □</td>
</tr>
</tbody>
</table>

Comments:
Completed by
Completed on

<table>
<thead>
<tr>
<th>Housing Programs</th>
<th>Status of Findings (any unresolved issues are listed below)</th>
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</thead>
<tbody>
<tr>
<td>monitoring review not applicable □</td>
<td>monitoring review pending □</td>
</tr>
<tr>
<td>reviewed; no unresolved issues ✓</td>
<td>reviewed; unresolved issues found □</td>
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Comments:
Completed by E. Weilbaecher
Completed on 06/06/2002

<table>
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<tr>
<th>Multifamily Finance</th>
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<tr>
<td>monitoring review not applicable □</td>
<td>monitoring review pending □</td>
</tr>
<tr>
<td>reviewed; no unresolved issues □</td>
<td>reviewed; unresolved issues found □</td>
</tr>
</tbody>
</table>

Comments:
Completed by
Completed on

Executive Director: Edwina Carrington
Date Signed: June 14, 2002
# TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
# MULTI FAMILY CREDIT UNDERWRITING ANALYSIS

**DATE:** June 14, 2002  
**PROGRAM:** 9% LIHTC  
**FILE NUMBER:** 02175

## DEVELOPMENT NAME

Creekside Estates, Phase II

## APPLICANT

<table>
<thead>
<tr>
<th>Name:</th>
<th>Lufkin Creekside Apartments II, Ltd.</th>
<th>Type:</th>
<th>For Profit</th>
<th>Non-Profit</th>
<th>Municipal</th>
<th>Other</th>
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</thead>
<tbody>
<tr>
<td>Address:</td>
<td>1609 S Chestnut Street, Suite 203</td>
<td>City:</td>
<td>Lufkin</td>
<td>State:</td>
<td>TX</td>
<td></td>
</tr>
<tr>
<td>Zip:</td>
<td>75901</td>
<td>Contact:</td>
<td>Carol C Moore</td>
<td>Phone:</td>
<td>(936) 699-2960</td>
<td>Fax:</td>
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</table>

## PRINCIPALS of the APPLICANT

<table>
<thead>
<tr>
<th>Name:</th>
<th>Partners for Effective Development, Inc.</th>
<th>(%)</th>
<th>0.01</th>
<th>Title:</th>
<th>Managing General Partner</th>
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<tbody>
<tr>
<td>Name:</td>
<td>SunAmerica Affordable Housing Partners, Inc.</td>
<td>(%)</td>
<td>99.99</td>
<td>Title:</td>
<td>Limited Partner</td>
</tr>
<tr>
<td>Name:</td>
<td>Carol C Moore</td>
<td>(%)</td>
<td>N/A</td>
<td>Title:</td>
<td>100% owner of GP</td>
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## GENERAL PARTNER

<table>
<thead>
<tr>
<th>Name:</th>
<th>Partners for Effective Development, Inc.</th>
<th>Type:</th>
<th>For Profit</th>
<th>Non-Profit</th>
<th>Municipal</th>
<th>Other</th>
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<tbody>
<tr>
<td>Address:</td>
<td>PO Box 154432</td>
<td>City:</td>
<td>Lufkin</td>
<td>State:</td>
<td>TX</td>
<td></td>
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<tr>
<td>Zip:</td>
<td>75915</td>
<td>Contact:</td>
<td>Carol C Moore</td>
<td>Phone:</td>
<td>(936) 699-2960</td>
<td>Fax:</td>
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</table>

## PROPERTY LOCATION

<table>
<thead>
<tr>
<th>Location:</th>
<th>1825 Sayers Street</th>
<th>City:</th>
<th>Lufkin</th>
<th>County:</th>
<th>Angelina</th>
<th>Zip:</th>
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## REQUEST

<table>
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<th>Amount</th>
<th>Interest Rate</th>
<th>Amortization</th>
<th>Term</th>
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<td>$539,182</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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**Other Requested Terms:** Annual ten-year allocation of low-income housing tax credits

**Proposed Use of Funds:** New Construction  
**Set-Aside:** Rural

## SITE DESCRIPTION

<table>
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<tr>
<th>Size:</th>
<th>9.2 acres</th>
<th>400,752 square feet</th>
<th>Zoning/ Permitted Uses:</th>
<th>Commercial</th>
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<tbody>
<tr>
<td>Flood Zone Designation:</td>
<td>Portions in 100-year Floodplain*</td>
<td>Status of Off-Sites:</td>
<td>Raw Land</td>
<td></td>
</tr>
</tbody>
</table>

* The market analyst states, “According to the sponsor, a portion of the land on the west side is in a floodplain. None of the streets, parking, or buildings will be constructed in the floodway.” (p. I-11)
TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

<table>
<thead>
<tr>
<th>Total Units: 60</th>
<th># Rental Buildings: 15</th>
<th># Common Area Bldgs: 1</th>
<th># of Floors: 2</th>
<th>Age: N/A yrs</th>
<th>Vacant: N/A</th>
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</thead>
</table>

<table>
<thead>
<tr>
<th>Number</th>
<th>Bedrooms</th>
<th>Bathroom</th>
<th>Size in SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>1</td>
<td>1</td>
<td>808</td>
</tr>
<tr>
<td>20</td>
<td>2</td>
<td>1</td>
<td>980</td>
</tr>
<tr>
<td>20</td>
<td>3</td>
<td>2</td>
<td>1,200</td>
</tr>
</tbody>
</table>

Net Rentable SF: 59,760
Av Un SF: 996
Common Area SF: 6,986
Gross Bldng SF: 66,746

Property Type: ☒ Multifamily ☐ SFR Rental ☐ Elderly ☐ Mixed Income ☐ Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS
Wood frame on concrete slab on grade beams, 77% masonry/brick veneer/23% Hardiplank siding exterior wall covering drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES
Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, cable, ceiling fans, laminated counter tops, individual water heaters

ON-SITE AMENITIES
Daycare facility, equipped children's play area perimeter fencing, other amenities are available at adjacent Phase I

Uncovered Parking: 128 spaces Carports: N/A spaces Garages: N/A spaces

OTHER SOURCES of FUNDS

INTERIM to PERMANENT FINANCING

Source: SunAmerica Affordable Housing Partners, Inc. Contact: Barry Ephraim
Principal Amount: $1,042,500 Interest Rate: greater of 15 year interpolated US Treasury rate + 275 bps or 8.0%
Additional Information: Length of interim period not indicated
Amortization: 30 yrs Term: 18 yrs Commitment: ☒ Conditional
Annual Payment: $91,794 Lien Priority: 1st Commitment Date: 02/27/2002

LIHTC SYNDICATION

Source: SunAmerica Affordable Housing Partners, Inc. Contact: Barry Ephraim
Address: 1 SunAmerica Center, Century City City: Los Angeles
State: CA Zip: 90067 Phone: (310) 772-6000 Fax: (310) 772-6179
Net Proceeds: $4,124,742 Net Syndication Rate (per $1.00 of 10-yr LIHTC) 76.5¢
Commitment: ☐ None ☐ Firm ☒ Conditional Date: 02/27/2002
Additional Information:

APPLICANT EQUITY

Amount: $144,778 Source: Deferred developer fee
TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

VALUATION INFORMATION

<table>
<thead>
<tr>
<th>Appraised Value</th>
<th>Date of Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Only: $138,000</td>
<td>03/15/2001*</td>
</tr>
</tbody>
</table>

Appraiser: William J Lyon
City: Lufkin
Phone: (936) 632-7763
* Updated February 25, 2002

ASSESSED VALUE

<table>
<thead>
<tr>
<th>Land: 24.4590 acres</th>
<th>Assessment for the Year of: 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>$48,920</td>
<td></td>
</tr>
</tbody>
</table>

1 acre: $2,000
Valuation by: Angelina County Appraisal District
Tax Rate: 2.5508

EVIDENCE of SITE or PROPERTY CONTROL

<table>
<thead>
<tr>
<th>Type of Site Control: Earnest Money Contract (9.206 acres)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Contract Expiration Date: 09/01/2002</th>
<th>Anticipated Closing Date: 08/31/2002</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Acquisition Cost: $138,000</th>
<th>Other Terms/Conditions: $500 earnest money</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Seller: Jerry D Moore and HJ Trout, Jr.</th>
<th>Related to Development Team Member: Yes</th>
</tr>
</thead>
</table>

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports. However, Phase I of the development was awarded tax credits in 1997. The property includes 72 units with 100% rent restricted.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

**Description:** Creekside Estates, Phase II is a proposed new construction development of 60 units of affordable housing located in Lufkin, Angelina County. The development is comprised of 15 residential buildings as follows:
- Five Building Type A with four one-bedroom units;
- Five Building Type B with four two-bedroom units; and
- Five Building Type C with four three-bedroom units.

Based on the site plan, the apartment buildings and parking are distributed evenly throughout the portion of the site outside of the 100-year floodplain. The floodway is identified as running along the western portion of the site, while a 6,986-square foot daycare building is located at the northeast end and a picnic area is located at the south end. The proposed site does not have frontage along a public road; therefore, access will be through the existing Phase I. In addition, many of the amenities claimed in the application are those currently existing for use by Phase I residents. These include a community building with community room and kitchen, a laundry facility, swimming pool, basketball court, and limited access gate. Receipt, review and acceptance of documentation granting a right of way through Phase I and right of access to amenities present at Phase I for Phase II residents is a condition of this report.

**Supportive Services:** The Applicant has contracted with Buckner Children and Family Services, Inc. (BCFS) to provide management, staff, materials and all other supplies for an onsite daycare center licensed by the State of Texas for up to 125 children up to age 12 years. BCFS will also pay the utilities and janitorial costs for the center. Tenants will be required to pay an unspecified “copay” for CCMS for the service. The contract requires the Applicant to provide the initial furnishings to include tables and chairs for children, shelving, office furniture for two offices, two computers, a laminator and copy machine, dishwasher, refrigerator, freezer, washer and dryer, kitchen equipment, toys and educational equipment, and playground equipment. The Applicant must also maintain facilities in the community building for provision of the services. A monthly fee is not mentioned in the contract for the daycare services. BCFS will also provide life skills classes at a monthly cost of $300, or $3,600 per year. However, the Applicant’s operating expense budget includes only $2,400 annually for supportive services.

**Schedule:** The Applicant anticipates construction to begin in December of 2002, to be completed in March of
2004, to be placed in service in July of 2004, and to be substantially leased-up in May of 2004.

### POPULATIONS TARGETED

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants. One of the units (2%) will be reserved for households earning 30% or less of AMGI, one unit (2%) will be reserved for households earning 40% or less of AMGI, 24 of the units (40%) will be reserved for households earning 50% or less of AMGI, and 34 units (56%) will be reserved for households earning 60% or less of AMGI.

The Applicant did not provide a subsidy for the unit set-aside at 30% of AMGI; therefore, any scoring points awarded for the unit set-aside at 30% of AMGI should be reviewed prior to allocation.

**Special Needs Set-Asides:** Three units (5%) will be reserved for households with handicapped/developmentally-disabled individuals.

**Compliance Period Extension:** The Applicant has elected to extend the compliance period an additional 25 years.

### MARKET HIGHLIGHTS

A market feasibility study dated March 29, 2002 was prepared by Mark C Temple and highlighted the following findings:

**Definition of Market/Submarket:** “The primary or defined market area for the Creekside Estates Phase II Apartments is considered Angelina County which includes the City of Lufkin...In addition, it is viewed a very strong secondary market exists due to the proposed site’s proximity to the remaining East Texas Regional Area.” (p. I-1)

#### ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY

<table>
<thead>
<tr>
<th>Type of Demand</th>
<th>Units of Demand</th>
<th>% of Total Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Growth</td>
<td>38</td>
<td>2%</td>
</tr>
<tr>
<td>Resident Turnover</td>
<td>2,019</td>
<td>98%</td>
</tr>
<tr>
<td>Other Sources [Vacancy 2.1%]</td>
<td>(5)</td>
<td>0%</td>
</tr>
<tr>
<td><strong>TOTAL ANNUAL DEMAND</strong></td>
<td><strong>2,052</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Ref: p. IV-4

**Capture Rate:** “Based upon the income banding methodology, the 60 Low Income Housing Tax Credit (LIHTC) units of the apartment development represents a 2.9 percent capture rate of all income appropriate rental households within the market area depending on management’s criteria for qualifying potential renters.” (p. IV-3)

**Market Rent Comparables:** The market analyst surveyed seven apartment projects totaling 897 units in the market area. (p. III-1)

#### RENT ANALYSIS (net tenant-paid rents)

<table>
<thead>
<tr>
<th>Unit Type (% AMI)</th>
<th>Proposed</th>
<th>Program Max</th>
<th>Differential</th>
<th>Market</th>
<th>Differential</th>
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</thead>
<tbody>
<tr>
<td>1-Bedroom (50%)</td>
<td>$329</td>
<td>$333</td>
<td>-$4</td>
<td>$465</td>
<td>-$136</td>
</tr>
<tr>
<td>1-Bedroom (60%)</td>
<td>$405</td>
<td>$409</td>
<td>-$4</td>
<td>$465</td>
<td>-$60</td>
</tr>
<tr>
<td>2-Bedroom (30%)</td>
<td>$214</td>
<td>$219</td>
<td>-$5</td>
<td>$624</td>
<td>-$410</td>
</tr>
<tr>
<td>2-Bedroom (40%)</td>
<td>$306</td>
<td>$311</td>
<td>-$5</td>
<td>$624</td>
<td>-$318</td>
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<tr>
<td>2-Bedroom (50%)</td>
<td>$398</td>
<td>$403</td>
<td>-$5</td>
<td>$624</td>
<td>-$226</td>
</tr>
<tr>
<td>2-Bedroom (60%)</td>
<td>$490</td>
<td>$495</td>
<td>-$5</td>
<td>$624</td>
<td>-$134</td>
</tr>
<tr>
<td>3-Bedroom (50%)</td>
<td>$459</td>
<td>$463</td>
<td>-$4</td>
<td>$785</td>
<td>-$326</td>
</tr>
<tr>
<td>3-Bedroom (60%)</td>
<td>$566</td>
<td>$570</td>
<td>-$4</td>
<td>$785</td>
<td>-$219</td>
</tr>
</tbody>
</table>

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =$500, program max =$600, differential = -$100)

**Submarket Vacancy Rates:** “The occupancy level of the market area is presently 97.9 percent.” (p. III-1)
Absorption Projections: “According to the Lufkin/Angelina County Economic Development Partnership and Claritas/National Planning Data Corporation present absorption trends of apartment projects located in the Lufkin Market Area range from 10 to 15 units per month…it is estimated that a 95+ percent occupancy level can be achieved in a 4 to 6 month time frame.” (p. IV-7)

Known Planned Development: Not discussed in market study. To the best of the Underwriter’s knowledge, no new affordable housing developments are planned for the market area indicated in the market study.

The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site for the proposed apartment is located in the north area of the City of Lufkin, just south of Texas State Highway 287 at 1825 Sayers Street. Lufkin is the county seat of Angelina County in east central Texas.

Population: The estimated 2001 population of Angelina County was 80,899 and is expected to increase by 5% to approximately 84,544 by 2006. Within the primary market area there were estimated to be 29,967 households in 2001.

Adjacent Land Uses: Land uses in the overall area in which the site is located are commercial, single family residential, multifamily residential and vacant land. Adjacent land uses include:
- North: vacant land
- South: Creekside Estates I Apartments
- East: vacant land, Lufkin Country Club
- West: vacant land

Site Access: Access to the property is through Phase I from Sayers Street. The apartment site is located within the major thoroughfares of Texas State Highway 287 to the north, US Highway Business 69 or Kurth Drive to the south, US Highway Business 59 or North Timberland Drive to the east and Texas State Highway 287 and US Highway Business 69 or Kurth Drive to the west.

Public Transportation: Public transportation services are not available in the City of Lufkin.

Shopping & Services: Discount shopping and other retail centers are located within 6 miles of the site, while two grocery stores are located within two miles. The area is served by the Lufkin Independent School District with an elementary (0.5 miles), intermediate (0.8 miles), junior high (2.5 miles), and high school (3.1 miles). The Angelina Community College is located 6.0 miles south of the site. Two parks are located within 1 mile and Sam Rayburn Lake is 30 miles east. Memorial Hospital is 2.6 miles southwest.

Special Adverse Site Characteristics: The market analyst states, “According to the sponsor, a portion of the land on the west side is in a floodplain. None of the streets, parking, or buildings will be constructed in the floodway.” (p. I-11) Receipt, review and acceptance of an engineer’s certification that all streets, parking and buildings are not located in the floodplain is a condition of this report.

Site Inspection Findings: TDHCA staff performed a site inspection on April 1, 2002 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 26, 2002 was prepared by Unovate Environmental Services, Inc. and contained the following findings and recommendations:

“Based on the site reconnaissance, no recognized environmental conditions were discovered. UES performed the ESA in conformance with the scope and limitations of the ASTM Standard Practice for Site Assessments: Phase I Environmental Site Assessment Process (E 1527). Based on the site information gathered herein, the assessment revealed no significant evidence of environmental concerns in connection with the subject property. Therefore, no additional studies are recommended at this time.”

OPERATING PROFORMA ANALYSIS

Income: The Applicant utilized the 2002 LIHTC gross rent limits less an overstated utility allowance that
includes range and refrigerator allowances in calculating net rents. As a result, the Applicant’s potential gross rent figure is understated by $3K as compared to the Underwriter’s estimate. The Applicant’s secondary income and vacancy assumptions, however, are in line with underwriting guidelines. The application indicates one employee occupied unit, but it was not shown on the rent schedule. Therefore it is assumed that the employee will be income-qualified and charged the maximum rent level under program rules. The Applicant’s effective gross rent figure is within 5% of the Underwriter’s estimate.

**Expenses:** The Applicant’s total operating expense figure is within 5% of the Underwriter’s TDHCA database-derived estimate, adjusted based on historical operation of the adjacent Phase I development. The Applicant’s line-item expenses, however, differ by a significant amount as compared to the Underwriter’s estimates. These include: general and administrative ($2K lower), payroll ($6K lower), repairs and maintenance ($8K higher), utilities ($2K lower), property insurance ($3K higher), and property taxes ($3K lower). The submitted supportive services contract indicates a monthly cost of $300, or $3,600 per year. However, the Applicant’s operating expense budget includes only $2,400 annually for supportive services.

**Conclusion:** Overall, the Applicant’s net operating income figure is within 5% of the Underwriter’s estimate; therefore, the Applicant’s proforma should be used to determine the development’s ability to service debt. However, although the Applicant’s proforma results in a debt coverage ratio (DCR) that is below the Department’s DCR minimum guideline of 1.10, indicating a need to restructure the proposed permanent financing, the Underwriter’s proforma results in an acceptable DCR. Furthermore, it appears that the Applicant may have overestimated annual debt service based on the proposed terms directly contributing to an understated DCR. Using the Underwriter’s calculated debt service results in acceptable 1.14 DCR. Therefore, the current financing structure is deemed to be acceptable as is.

**CONSTRUCTION COST ESTIMATE EVALUATION**

**Land Value:** The sellers, Jerry D Moore and HJ Trout, Junior, are owners of the developer and acquired the site as part of a larger 24.459 acre parcel in 1997 at a cost of $10,368. This amounts to a prorated cost of $424 per acre or $3,865 for the subject 9.602 acres. The assessed value for the entire 24.459 acres is $2,000 per acre and a submitted appraisal indicates a value at the proposed acquisition price of $138,000, based on land sales the appraiser indicates are not comparable, but the best available at this time. However, the Applicant provided no other documentation of holding costs or improvements made to the site that would provide justification for a higher non-arm’s-length sale. Therefore, the Underwriter used a proration of the original purchase price as the appropriate transfer price to ensure that a windfall profit or excess developer fee is not provided to the developer as a result of the potential TDHCA funding for the project.

**Sitework Cost:** The Applicant’s claimed sitework costs of $6,487 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

**Direct Construction Cost:** The Applicant’s costs are more than 5% higher than the Underwriter’s Marshall & Swift Residential Cost Handbook-derived estimate. This would suggest that the Applicant’s direct construction costs are overstated.

**Ineligible Costs:** The Applicant incorrectly included $1,000 in marketing as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant’s eligible basis.

**Fees:** The Applicant’s contractor’s and developer’s fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. However, the Underwriter added $12,500 in housing consultant fees to already overstated total developer fees. As a result, the Applicant’s total fees exceed 15% of the Applicant’s adjusted eligible basis and, therefore, the eligible portion must be reduced by $45,286.

**Conclusion:** Due to the overstated land acquisition cost and differences in direct construction costs, the Applicant’s total development cost figure is more than 5% higher than the Underwriter’s estimate. Therefore, the Underwriter’s estimate for total development cost will be used to determine eligible basis of $4,521,764 and tax credits of $496,128 from this method.

**FINANCING STRUCTURE ANALYSIS**

The Applicant intends to finance the development with three types of financing: a conventional interim to permanent loan, syndicated LIHTC equity, and deferred developer’s fees.
**Conventional Interim to Permanent Loan:** There is a commitment for interim to permanent financing through SunAmerica Affordable Housing Partners in the amount of $1,042,500 during both the interim and permanent periods. The commitment letter did not indicate a term for the construction portion, but showed 18 years for the permanent and a 30 year amortization schedule. The interest rate will be the greater of the interpolated 15 year US Treasury rate plus 275 basis points or 8% at rate lock. Eight percent was used in this analysis.

**LIHTC Syndication:** SunAmerica Affordable Housing Partners has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $4,124,742 based on a syndication factor of 76.5%. A pay-in schedule for the proceeds was not provided; therefore, receipt, review and acceptance of a pay-in schedule for the anticipated syndication proceeds is a condition of this report.

**Deferred Developer’s Fees:** The Applicant’s proposed deferred developer’s fees of $144,778 amount to 21% of the total proposed fees.

**Financing Conclusions:** As stated above, the Underwriter’s estimate for total development cost was used to determine eligible basis of $4,521,764, which would result in tax credits of $496,128 annually. However, based on the Underwriter’s total development cost estimate less the proposed permanent loan amount, there is a gap in need of only $3,619,606. Syndication proceeds in this amount and the terms presented in the SunAmerica proposal indicate a gap-driven recommended LIHTC allocation of $473,198, or $65,984 per year less than requested. Under this scenario, there would be no need for the developer to defer fees. Should the actual development costs equal the Applicant’s estimated direct costs, there are sufficient developer fees to fund the difference of up to $590K if necessary.

**REVIEW of ARCHITECTURAL DESIGN**

The residential building elevation indicates simple combination brick and siding exteriors. The individual unit floorplans offer adequate storage and washer/dryer closets. The Daycare center will have separate classrooms for each age level up to 5 years and a large multipurpose room. In addition, the building will have several observation rooms, restrooms, a kitchen and offices.

**IDENTITIES of INTEREST**

The Applicant, developer, general contractor, cost estimator, and property manager are related entities. These are common identities of interest for LIHTC-funded developments. The seller of the land is also related to the owner of the General Partner of the Applicant. This is discussed in more detail in the Construction Cost Estimate Evaluation section of this report and was mitigated by reducing the transfer price to the prorate portion of the original acquisition amount.

**APPLICANTS/PRINCIPALS’ FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE**

**Financial Highlights:**
- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and, therefore, has no material financial statements.
- The General Partner, Partners for effective Development, Inc., submitted compiled financial statements as of November 30, 2001 reporting total assets of $85K consisting of cash, prepaid taxes, due from stockholders and property and equipment. Liabilities totaled $29K, resulting in stockholder’s equity of $56K.
- The developer, First MT Development, Inc., submitted compiled financial statements as of November 30, 2001 reporting total assets of $434K consisting of cash, due from Lufkin Creekside Apartments, Ltd., equity investment in Lufkin Creekside Apartments, Ltd., development fee receivable ($430K) and other assets. Liabilities totaled $19K, resulting in stockholder equity of $414K.
- HJ Trout, Jr., Jerry D Moore and Carol C Moore also submitted personal financial statements.

**Background & Experience:**
- The Applicant is a new entity formed for the purpose of developing the project.
- As of July of 2002, the General Partner will have completed one LIHTC housing developments totaling 112 units, Pemberton Place (#00038).
- Jerry D Moore, principal of the developer, has participated in five affordable housing developments totaling 382 units since 1989.
• HJ Trout, Jr. has participated in one LIHTC-funded development, Lufkin Creekside Estates (#97120).

**SUMMARY OF SALIENT RISKS AND ISSUES**

- The Applicant’s development costs differ from the Underwriter’s verifiable estimate by more than 5%.
- Significant environmental/locational risk exists regarding floodplain onsite.
- The seller of the property has an identity of interest with the Applicant.

**RECOMMENDATION**

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $473,198 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

**CONDITIONS**

1. Receipt, review and acceptance of documentation granting a right of way through Phase I and right of access to amenities present at Phase I for Phase II residents;
2. The Applicant did not provide a subsidy for the unit set-aside at 30% of AMGI; therefore, any scoring points awarded for the unit set-aside at 30% of AMGI should be reviewed prior to allocation;
3. Receipt, review, and acceptance of an engineer or architect’s certification that all streets, parking and buildings are not located in the 100-year flood plain or a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation site work costs, building flood insurance and tenant flood insurance costs; and
4. Receipt, review and acceptance of a pay-in schedule for the anticipated syndication proceeds.
5. Should the rates or terms of the proposed debt or syndication be altered, the previous recommendations and conditions should be re-evaluated by the Underwriter.

---

Credit Underwriting Supervisor:  
Lisa Vecchietti  
Date: June 14, 2002

Director of Credit Underwriting:  
Tom Gouris  
Date: June 14, 2002
## Creekside Estates, Phase II, Lufkin LIHTC #02175

### MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

<table>
<thead>
<tr>
<th>Type of Unit</th>
<th>Number</th>
<th>Bedrooms</th>
<th>No. of Baths</th>
<th>Size in SF</th>
<th>Gross Rent Lmt.</th>
<th>Rent per Unit</th>
<th>Rent per Month</th>
<th>Rent per SF</th>
<th>Util</th>
<th>Wtr, Swr, Trs</th>
</tr>
</thead>
<tbody>
<tr>
<td>TC 50%</td>
<td>8</td>
<td>1</td>
<td>1</td>
<td>808</td>
<td>$333</td>
<td>$2,666</td>
<td>$0.41</td>
<td>$37.34</td>
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<tr>
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<td>12</td>
<td>1</td>
<td>1</td>
<td>808</td>
<td>409</td>
<td>4,912</td>
<td>0.51</td>
<td>37.34</td>
<td>18.86</td>
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<tr>
<td>TC 50%</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>980</td>
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<td>2,175</td>
<td>0.22</td>
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<td>2</td>
<td>1</td>
<td>980</td>
<td>311</td>
<td>3,912</td>
<td>0.32</td>
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<td>2</td>
<td>1</td>
<td>980</td>
<td>495</td>
<td>4,946</td>
<td>0.50</td>
<td>45.08</td>
<td>18.86</td>
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<tr>
<td>TC 50%</td>
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<td>3</td>
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<td>1,200</td>
<td>463</td>
<td>5,907</td>
<td>0.39</td>
<td>55.24</td>
<td>18.86</td>
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</tbody>
</table>

**TC50% TOTAL:** 60

**AVERAGE:**

- Gross Rent Lmt.: $306,418
- Rent per Unit: $505
- Rent per Month: $4,447
- Rent per SF: $18.86

### INCOME

<table>
<thead>
<tr>
<th>Source</th>
<th>Total Net Rentable Sq Ft</th>
<th>TDHCA</th>
<th>APPLICANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary Income</td>
<td>$321,902</td>
<td>$318,936</td>
<td></td>
</tr>
<tr>
<td>Other Support Income: (describe)</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

**POTENTIAL GROSS INCOME:** $331,262

**Vacancy & Collection Loss % of Potential Gross Income:** -7.50%

**EFFECTIVE GROSS INCOME:** $306,418

### EXPENSES

<table>
<thead>
<tr>
<th>Category</th>
<th>% of EGI</th>
<th>PER UNIT</th>
<th>PER SQ FT</th>
<th>PER UNIT</th>
<th>PER SQ FT</th>
<th>PER UNIT</th>
<th>PER SQ FT</th>
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<tbody>
<tr>
<td>General &amp; Administrative</td>
<td>5.30%</td>
<td>$271</td>
<td>$0.27</td>
<td>$16,239</td>
<td>$14,280</td>
<td>$0.24</td>
<td>$238</td>
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<tr>
<td>Management</td>
<td>5.00%</td>
<td>255</td>
<td>0.26</td>
<td>15,321</td>
<td>15,389</td>
<td>0.26</td>
<td>256</td>
</tr>
<tr>
<td>Payroll &amp; Payroll Tax</td>
<td>18.20%</td>
<td>929</td>
<td>0.93</td>
<td>55,766</td>
<td>49,404</td>
<td>0.83</td>
<td>823</td>
</tr>
<tr>
<td>Repairs &amp; Maintenance</td>
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<td>694</td>
<td>0.70</td>
<td>41,656</td>
<td>50,100</td>
<td>0.84</td>
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<tr>
<td>Utilities</td>
<td>2.75%</td>
<td>140</td>
<td>0.14</td>
<td>8,425</td>
<td>6,600</td>
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<td>110</td>
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<tr>
<td>Water, Sewer, &amp; Trash</td>
<td>1.13%</td>
<td>58</td>
<td>0.06</td>
<td>3,463</td>
<td>3,900</td>
<td>0.07</td>
<td>65</td>
</tr>
<tr>
<td>Property Insurance</td>
<td>3.80%</td>
<td>199</td>
<td>0.20</td>
<td>11,952</td>
<td>15,060</td>
<td>0.25</td>
<td>251</td>
</tr>
<tr>
<td>Property Tax</td>
<td>2.55%</td>
<td>510</td>
<td>0.51</td>
<td>30,610</td>
<td>27,765</td>
<td>0.46</td>
<td>463</td>
</tr>
<tr>
<td>Reserve for Replacements</td>
<td>1.89%</td>
<td>97</td>
<td>0.10</td>
<td>5,800</td>
<td>4,600</td>
<td>0.08</td>
<td>77</td>
</tr>
<tr>
<td>Supp.Serv./Comp/Security</td>
<td>3.43%</td>
<td>192</td>
<td>0.20</td>
<td>11,932</td>
<td>14,940</td>
<td>0.25</td>
<td>251</td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>65.67%</td>
<td>$3,354</td>
<td>$3.37</td>
<td>$201,231</td>
<td>$199,098</td>
<td>$3.33</td>
<td>$3,318</td>
</tr>
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</table>

**NET OPERATING INC:** 34.33%

**DEBT SERVICE**

<table>
<thead>
<tr>
<th>Category</th>
<th>% of EGI</th>
<th>PER UNIT</th>
<th>PER SQ FT</th>
<th>PER UNIT</th>
<th>PER SQ FT</th>
<th>PER UNIT</th>
<th>PER SQ FT</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Lien Mortgage</td>
<td>29.96%</td>
<td>$1,520</td>
<td>$1.54</td>
<td>$91,794</td>
<td>$96,857</td>
<td>$1.62</td>
<td>$1,614</td>
</tr>
<tr>
<td>Additional Financing</td>
<td>0.00%</td>
<td>0</td>
<td>0.00</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Additional Financing</td>
<td>0.00%</td>
<td>0</td>
<td>0.00</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>NET CASH FLOW</td>
<td>4.37%</td>
<td>$223</td>
<td>$0.22</td>
<td>$13,393</td>
<td>$7,717</td>
<td>$0.13</td>
<td>$129</td>
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</table>

**AGGREGATE DEBT COVERAGE RATIO:** 1.15

**RECOMMENDED DEBT COVERAGE RATIO:** 1.14

### CONSTRUCTION COST

<table>
<thead>
<tr>
<th>Description</th>
<th>Factor</th>
<th>% of TOTAL</th>
<th>PER UNIT</th>
<th>PER SQ FT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Cost (site or bld)</td>
<td>0.88%</td>
<td>64</td>
<td>0.06</td>
<td>3,865</td>
</tr>
<tr>
<td>Off-Sites</td>
<td>0.00%</td>
<td>0</td>
<td>0.00</td>
<td>0</td>
</tr>
<tr>
<td>Sitework</td>
<td>8.35%</td>
<td>6,487</td>
<td>6.51</td>
<td>64,078</td>
</tr>
<tr>
<td>Direct Construction</td>
<td>55.66%</td>
<td>43,406</td>
<td>43.85</td>
<td>2,964,755</td>
</tr>
<tr>
<td>Contingency</td>
<td>5.00%</td>
<td>2,495</td>
<td>2.50</td>
<td>149,680</td>
</tr>
<tr>
<td>General Reqts</td>
<td>6.00%</td>
<td>2,994</td>
<td>3.01</td>
<td>179,616</td>
</tr>
<tr>
<td>Contractor's G / 2.0%</td>
<td>1.28%</td>
<td>998</td>
<td>1.00</td>
<td>59,872</td>
</tr>
<tr>
<td>Contractor's Pr 6.0%</td>
<td>3.85%</td>
<td>2,994</td>
<td>3.01</td>
<td>179,616</td>
</tr>
<tr>
<td>Indirect Construction</td>
<td>4.80%</td>
<td>3,733</td>
<td>3.75</td>
<td>223,950</td>
</tr>
<tr>
<td>Ineligible Costs</td>
<td>1.37%</td>
<td>1,068</td>
<td>1.07</td>
<td>64,078</td>
</tr>
<tr>
<td>Developer's G &amp; A 2.0%</td>
<td>1.69%</td>
<td>1,311</td>
<td>1.32</td>
<td>78,639</td>
</tr>
<tr>
<td>Developer's Prof 10.56%</td>
<td>8.55%</td>
<td>8,519</td>
<td>8.55</td>
<td>515,243</td>
</tr>
<tr>
<td>Interim Financing</td>
<td>3.12%</td>
<td>2,440</td>
<td>2.44</td>
<td>145,638</td>
</tr>
<tr>
<td>Reserves</td>
<td>1.55%</td>
<td>1,207</td>
<td>1.21</td>
<td>72,400</td>
</tr>
<tr>
<td>TOTAL COST</td>
<td>100.00%</td>
<td>$77,702</td>
<td>$78.01</td>
<td>$4,662,107</td>
</tr>
</tbody>
</table>

**Recap-Hard Construction Costs:** $55,379

**TOTAL SOURCES:** $59,373

**SOURCES OF FUNDS**

<table>
<thead>
<tr>
<th>Description</th>
<th>RECOMMENDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Lien Mortgage</td>
<td>$1,042,500</td>
</tr>
<tr>
<td>Additional Financing</td>
<td>$0</td>
</tr>
<tr>
<td>LIHTC Syndication Proceeds</td>
<td>$4,125,792</td>
</tr>
<tr>
<td>Deferred Developer Fees</td>
<td>$4,125,792</td>
</tr>
<tr>
<td>Additional (excess) Funds Req</td>
<td>$4,662,107</td>
</tr>
</tbody>
</table>

**TOTAL SOURCES:** $4,662,107
## DIRECT CONSTRUCTION COST ESTIMATE

**Residential Cost Handbook**

### Average Quality Multiple Residence Basis

<table>
<thead>
<tr>
<th>CATEGORY FACTOR</th>
<th>UNITS/SQ FT PER SF</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base Cost</strong></td>
<td></td>
<td>$40,96</td>
</tr>
<tr>
<td><strong>Adjustments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exterior Wall Fini</td>
<td>6.39%</td>
<td>$2,62</td>
</tr>
<tr>
<td>Elderly</td>
<td>0.00</td>
<td>0</td>
</tr>
<tr>
<td>Roofing</td>
<td>0.00</td>
<td>0</td>
</tr>
<tr>
<td>Subfloor</td>
<td>(1.31)</td>
<td>(78,085)</td>
</tr>
<tr>
<td>Floor Cover</td>
<td>1.82</td>
<td>108,763</td>
</tr>
<tr>
<td>Porches/Balconies</td>
<td>$28.10 $472</td>
<td>2.57</td>
</tr>
<tr>
<td>Plumbing</td>
<td>$585 $49</td>
<td>0.29</td>
</tr>
<tr>
<td>Built-In Appliances</td>
<td>$1,550 $60</td>
<td>1.56</td>
</tr>
<tr>
<td>Exterior Stairs</td>
<td>$1,350 $10</td>
<td>0.23</td>
</tr>
<tr>
<td>Floor Insulation</td>
<td>0.00</td>
<td>0</td>
</tr>
<tr>
<td>Heating/Cooling</td>
<td>1.41</td>
<td>8,426</td>
</tr>
<tr>
<td>Garages/Carports</td>
<td>0.00</td>
<td>0</td>
</tr>
<tr>
<td>Comp &amp; or Aux Bldg</td>
<td>$51.60 6,986</td>
<td>6.39</td>
</tr>
<tr>
<td>Other</td>
<td>0.00</td>
<td>0</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td></td>
<td>56.48</td>
</tr>
<tr>
<td>Current Cost Multiplier</td>
<td>1.04</td>
<td>2.26</td>
</tr>
<tr>
<td>Local Multiplier</td>
<td>(5.08)</td>
<td>(325,762)</td>
</tr>
<tr>
<td><strong>TOTAL DIRECT CONSTRUCTION COSTS</strong></td>
<td></td>
<td>$53.65</td>
</tr>
<tr>
<td>Plans, specs, survy, b</td>
<td>3.90% ($2.09) ($125,048)</td>
<td></td>
</tr>
<tr>
<td>Additional</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>INTERNATIONAL</strong></td>
<td>$4,124,742 Term 360</td>
<td>1.15</td>
</tr>
<tr>
<td><strong>NET DIRECT CONSTRUCTION COSTS</strong></td>
<td></td>
<td>$43.58</td>
</tr>
</tbody>
</table>

## PAYMENT COMPUTATION

### Primary

- **Int Rate**: 8.00%
- **DCR**: 1.15
- **Term**: 360
- **Primary Debt Service**: $91,794

### Additional

- **Int Rate**: 8.00%
- **DCR**: Aggregate DCR 1.15
- **Primary Debt Service**: $91,794

### RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

<table>
<thead>
<tr>
<th>INCOME at 3.00%</th>
<th>YEAR 1</th>
<th>YEAR 2</th>
<th>YEAR 3</th>
<th>YEAR 4</th>
<th>YEAR 5</th>
<th>YEAR 10</th>
<th>YEAR 15</th>
<th>YEAR 20</th>
<th>YEAR 30</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>POTENTIAL GROSS RENT</strong></td>
<td>$318,936</td>
<td>$328,504</td>
<td>$338,145</td>
<td>$347,800</td>
<td>$358,565</td>
<td>$369,330</td>
<td>$380,095</td>
<td>$390,860</td>
<td>$401,625</td>
</tr>
<tr>
<td>Secondary Income</td>
<td>9,360</td>
<td>9,641</td>
<td>9,930</td>
<td>10,228</td>
<td>10,535</td>
<td>11,842</td>
<td>13,149</td>
<td>14,456</td>
<td>15,763</td>
</tr>
<tr>
<td><strong>OTHER SUPPORT INCOME</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL GROSS INCOME</strong></td>
<td>$328,296</td>
<td>$338,145</td>
<td>$347,800</td>
<td>$358,088</td>
<td>$369,095</td>
<td>$380,882</td>
<td>$401,625</td>
<td>$422,372</td>
<td>$443,130</td>
</tr>
<tr>
<td><strong>VACANCY &amp; COLLECTION LOSS</strong></td>
<td>(24,624)</td>
<td>(25,361)</td>
<td>(26,122)</td>
<td>(26,905)</td>
<td>(27,713)</td>
<td>(28,521)</td>
<td>(29,330)</td>
<td>(30,140)</td>
<td>(30,950)</td>
</tr>
<tr>
<td><strong>EFFECTIVE GROSS INCOME</strong></td>
<td>$303,672</td>
<td>$312,784</td>
<td>$322,278</td>
<td>$331,183</td>
<td>$340,372</td>
<td>$351,362</td>
<td>$362,295</td>
<td>$373,232</td>
<td>$384,180</td>
</tr>
</tbody>
</table>

### EXPENSES at 4.00%

| MANAGEMENT | $14,280 | $14,851 | $15,445 | $16,063 | $16,706 | $20,287 | $23,868 | $27,449 | $31,029 |
| Remuneration | 15,389 | 15,639 | 15,892 | 16,150 | 16,408 | 19,987 | 23,566 | 27,145 | 30,724 |
| General & Administrative | 6,600 | 6,844 | 7,139 | 7,424 | 7,718 | 9,084 | 10,450 | 11,816 | 13,182 |
| **TOTAL EXPENSES** | $199,098 | $206,696 | $214,808 | $223,239 | $232,002 | $281,287 | $341,095 | $401,872 | $462,649 |
| **NET OPERATING INCOME** | $30,574 | $30,000 | $29,980 | $29,980 | $29,980 | $29,980 | $29,980 | $29,980 | $29,980 |

## OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

<table>
<thead>
<tr>
<th>INCOME</th>
<th>EXPENSE</th>
<th>YEAR 1</th>
<th>YEAR 2</th>
<th>YEAR 3</th>
<th>YEAR 4</th>
<th>YEAR 5</th>
<th>YEAR 10</th>
<th>YEAR 15</th>
<th>YEAR 20</th>
<th>YEAR 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>POTENTIAL GROSS RENT</td>
<td>$318,936</td>
<td>$328,504</td>
<td>$338,145</td>
<td>$347,800</td>
<td>$358,088</td>
<td>$369,095</td>
<td>$380,882</td>
<td>$401,625</td>
<td>$422,372</td>
<td>$443,130</td>
</tr>
<tr>
<td><strong>SECONDARY INCOME</strong></td>
<td>9,360</td>
<td>9,641</td>
<td>9,930</td>
<td>10,228</td>
<td>10,535</td>
<td>11,842</td>
<td>13,149</td>
<td>14,456</td>
<td>15,763</td>
<td></td>
</tr>
<tr>
<td><strong>OTHER SUPPORT INCOME</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td>$328,296</td>
<td>$338,145</td>
<td>$347,800</td>
<td>$358,088</td>
<td>$369,095</td>
<td>$380,882</td>
<td>$401,625</td>
<td>$422,372</td>
<td>$443,130</td>
<td></td>
</tr>
<tr>
<td>VACANCY &amp; COLLECTION LOSS</td>
<td>(24,624)</td>
<td>(25,361)</td>
<td>(26,122)</td>
<td>(26,905)</td>
<td>(27,713)</td>
<td>(28,521)</td>
<td>(29,330)</td>
<td>(30,140)</td>
<td>(30,950)</td>
<td></td>
</tr>
<tr>
<td><strong>EFFECTIVE GROSS INCOME</strong></td>
<td>$303,672</td>
<td>$312,784</td>
<td>$322,278</td>
<td>$331,183</td>
<td>$340,372</td>
<td>$351,362</td>
<td>$362,295</td>
<td>$373,232</td>
<td>$384,180</td>
<td></td>
</tr>
<tr>
<td>MANAGEMENT</td>
<td>$14,280</td>
<td>$14,851</td>
<td>$15,445</td>
<td>$16,063</td>
<td>$16,706</td>
<td>$20,287</td>
<td>$23,868</td>
<td>$27,449</td>
<td>$31,029</td>
<td></td>
</tr>
<tr>
<td>Remuneration</td>
<td>15,389</td>
<td>15,639</td>
<td>15,892</td>
<td>16,150</td>
<td>16,408</td>
<td>19,987</td>
<td>23,566</td>
<td>27,145</td>
<td>30,724</td>
<td></td>
</tr>
<tr>
<td>General &amp; Administrative</td>
<td>6,600</td>
<td>6,844</td>
<td>7,139</td>
<td>7,424</td>
<td>7,718</td>
<td>9,084</td>
<td>10,450</td>
<td>11,816</td>
<td>13,182</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>$199,098</td>
<td>$206,696</td>
<td>$214,808</td>
<td>$223,239</td>
<td>$232,002</td>
<td>$281,287</td>
<td>$341,095</td>
<td>$401,872</td>
<td>$462,649</td>
<td></td>
</tr>
<tr>
<td><strong>NET OPERATING INCOME</strong></td>
<td>$30,574</td>
<td>$30,000</td>
<td>$29,980</td>
<td>$29,980</td>
<td>$29,980</td>
<td>$29,980</td>
<td>$29,980</td>
<td>$29,980</td>
<td>$29,980</td>
<td></td>
</tr>
</tbody>
</table>
### LIHTC Allocation Calculation - Creekside Estate, Phase II, Lufkin LIHTC

**Category** | **Applicant's** | **TDHCA** | **Applicant’s** | **TDHCA**
--- | --- | --- | --- | ---
**1) Acquisition Cost** |  |  |  |  
Purchase of land | $142,000 | $3,865 |  |  
Purchase of buildings |  |  |  |  
**2) Rehabilitation/New Construction Cost** |  |  |  |  
On-site work | $389,222 | $389,222 | $389,222 | $389,222  
Off-site improvements |  |  |  |  
**3) Construction Hard Costs** | New structures/rehabilitation ha | $2,945,255 | $2,604,375 |  
**4) Contractor Fees & General Requirements** | Contractor overhead | $66,689 | $59,872 | $66,689 | $59,872  
Contractor profit | $200,068 | $179,616 | $200,068 | $179,616  
General requirements | $200,068 | $179,616 | $200,068 | $179,616  
**5) Contingencies** | $166,723 | $149,680 | $166,723 | $149,680  
**6) Eligible Indirect Fees** | $223,950 | $223,950 | $223,950 | $223,950  
**7) Eligible Financing Fees** | $145,638 | $145,638 | $145,638 | $145,638  
**8) All Ineligible Costs** | $64,078 | $64,078 |  |  
**9) Developer Fees** | Developer overhead | $136,685 | $78,639 | $78,639  
Developer fee | $559,243 | $511,156 | $511,156  
**10) Development Reserves** | $72,400 | $72,400 |  |  
**TOTAL DEVELOPMENT COSTS** | $5,312,019 | $4,662,107 | $4,988,255 | $4,521,764  
**Deduct from Basis:**
- All grant proceeds used to finance costs in eligible basis
- B.M.R. loans used to finance cost in eligible basis
- Non-qualified non-recourse financing
- Non-qualified portion of higher quality units [42(d)(3)]
- Historic Credits (on residential portion only)
**TOTAL ELIGIBLE BASIS** | $4,988,255 | $4,521,764  
High Cost Area Adjustment | 130% | 130%  
**TOTAL ADJUSTED BASIS** | $6,484,731 | $5,878,293  
Applicable Fraction | 100% | 100%  
**TOTAL QUALIFIED BASIS** | $6,484,731 | $5,878,293  
Applicable Percentage | 8.44% | 8.44%  
**TOTAL AMOUNT OF TAX CREDITS** | $547,311 | $496,128  
Syndication Proceeds | 0.7649 | $4,186,513 | $3,794,999  
Actual Gap of Need | $3,619,606  
Gap-Driven Allocation | $473,198